

# **Budget and Legislative Updates**

**August 17, 2016**

## **Agenda Outline**

- Presentation and discussion overview
- Budget development timeline (handout)
- Budget overview (handout)
- Policy Packages – updates (handout)
  - Significant changes since July meeting
- Stakeholder comments
- Reduction Options (handout)
- Next Steps
- Budget Certification – Next Agenda Item
- Questions

## **DEQ's 2017-19 Legislative Agenda Development Timeline**

June 2015

- DEQ's 2015-17 Budget adopted

### **August – December 2015**

- Development of 2015-17 Operating Budget
- Analyze priority work and determine need for policy packages or legislative concepts

August 2015

- 12-13 – EQC meeting – presented new ARB development process; discussion on commission engagement

October 2015

- 14-15 – EQC meeting – update on ARB development process

November 2015

- 5 – EQC meeting – special meeting to focus on agency strategic directions and 2017-19 ARB development

December 2015

- 9-10 - EQC meeting – updates on the 2017-19 legislative agenda; 2016 legislative activities and budget

### **January - September 2016**

- Development begins on 2017-19 Budget
  - Determine cost of currently approved programs adjusting for 2017-19 costs
  - Estimate future revenues
  - Develop the Trial Budget, DEQ's look at affordability for 2017-19
    - Shift work between funding sources
    - Establish tentative reductions to balance the 2017-19 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 – If any
  - Develop 10% budget reduction options on all funding types; likely need to do 20% for GF & LF.
  - Refine budget package proposals for new work that DEQ anticipates doing
  - Refine legislative concepts

February 2016

- 1 - Legislative Session begins
- 2-3 - EQC Meeting
  - Budget Update
  - Discussion of projected General Fund availability for 2017-19 and implications for funding prospective policy packages
  - Preview of 2016 Session
  - Focus on draft legislative concepts and budget policy packages

March 2016

- 6 – Legislative Session statutory end date
- 15 – Budget and Legislative Concept Instructions are released by DAS (estimated date)
- Ongoing legislative concept and budget policy package development

April 2016

- 15 – Legislative concepts are due to DAS
- 20-21 – EQC meeting – review of policy packages and legislative concepts

- Stakeholder outreach
- Ongoing legislative concept and budget policy package development

#### May 2016

- Ongoing budget development
- Stakeholder outreach

#### June 2016

- 3 - DAS submits approved legislative concepts to Legislative Counsel
- 8-9 - EQC Meeting – update on legislative agenda; review of budget request prior to budget submittal to DAS for audit
- 22 – Salem stakeholder meeting
- 24 - Last day to modify legislative concepts
- 30 - Budget request submitted to DAS for audit

#### July 2016

- 13 – EQC Work Session
- Budget narrative development
- Work with Legislative Counsel on legislative concepts

#### **August 2016**

- **17-18 - EQC Meeting – legislative agenda update and Chair signs the Budget Certification Form (part of the agency of budget request document)**
- **Budget narrative development**
- **Work with Legislative Counsel on legislative concepts**

#### September 2016

- 1 – Agency Request Budget document due to DAS and Governor
- Work with Legislative Counsel on legislative concepts

#### **October 2016 – February 2017**

- 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.
- Governor's Recommended Budget submitted to the Legislature (12/1)
- Governor pre-session files approved bills (12/9)

#### November 2016

- 2-3 EQC meeting – legislative agenda update

#### December 2016

- 1 – Governor's Recommended Budget is released

#### January 2017

- 9 – 2017 Legislative Session begins – organizational days (3 days)
- 18-19 – EQC meeting (tentative date) – pre-Session review of legislative agenda and Session activities

#### February 2017

- 6 – Regular 2017 Legislative Session begins

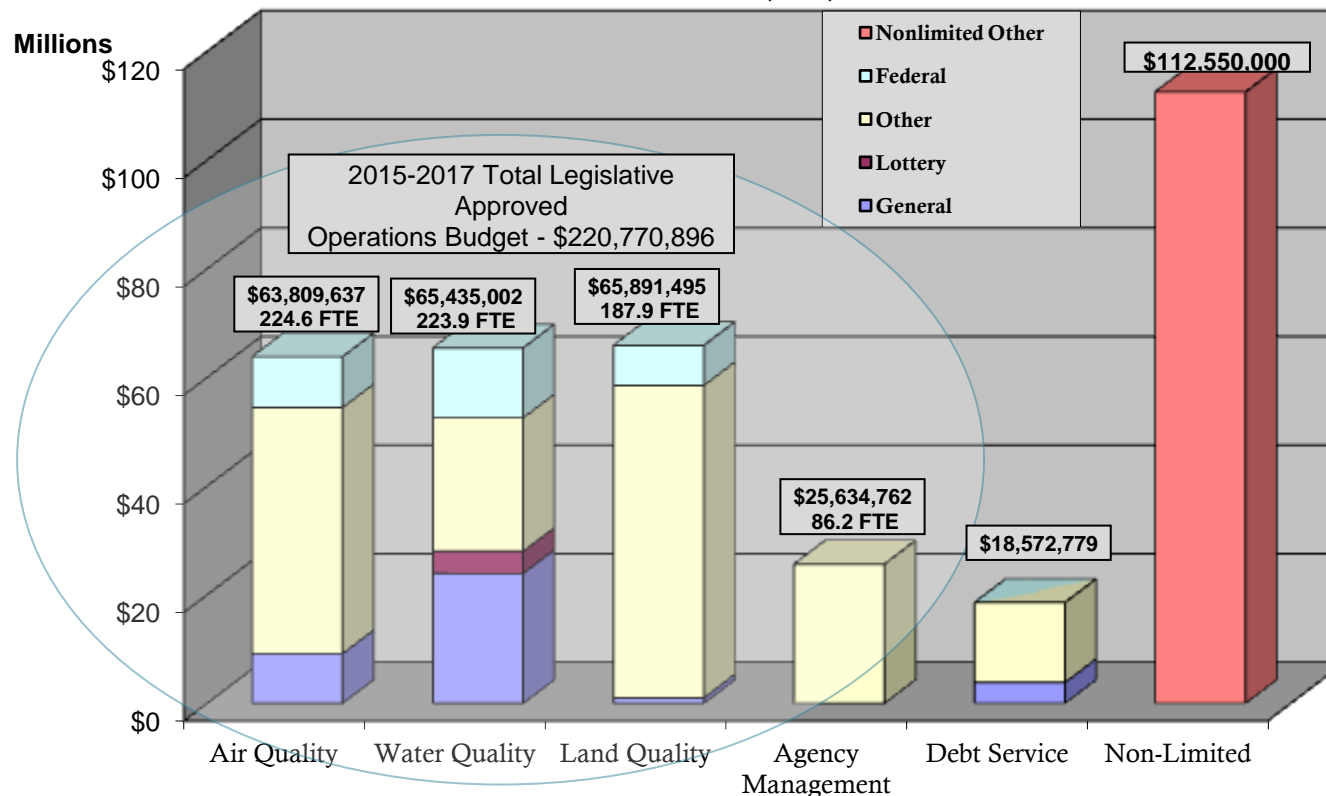
8/15/2016

# OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY

## AGENCY SUMMARY

The 2015-17 DEQ Legislatively Approved Budget is shown below.

**Figure 1 -  
2015-2017 Legislative Approved Budget, By Program  
\$351,893,675**



- The four program areas circled make up the “Operations Budget,” authorizing 723 FTE and \$221 million in total funds spending for DEQ operations.
- For the 2015-17 biennium, approximately 12 percent (\$130 million) of the total budget provides for environmental benefit to Oregon, but does not directly support DEQ services:
  - \$3.9 million of ongoing debt service on Orphan Site bonds is used to fund cleanup for contaminated sites, mostly in prior budget periods, where no responsible party was available to cover costs.
  - \$18.6 million of debt service on bonds sold to provide state match for federal capitalization grants and \$112.5 million for the Clean Water State Revolving Fund to provide low interest to local municipalities for the construction/upgrade of sewage treatment facilities.

Item J 000005

# OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY

## AGENCY SUMMARY

### 2017-19 MODIFIED CURRENT SERVICE LEVEL BUDGET

The first stage in developing the 2017-19 Agency Request budget is to apply standardized adjustments to the 2015-17 budget to generate the projected 2015-17 costs of continuing permanent services, known as the **Current Service Level (CSL)** budget. Using Federal, Other and Lottery Fund revenue estimates for 2017-19, DEQ then creates a **Modified Current Service Level (MCSL)** or “Affordable Budget” that balances proposed spending with revenues, prior to any requested legislative actions. Balance is achieved by reducing budget spending until a fund reaches a zero ending balance (for Federal and Lottery Funds) or a desired ending balance (for Other Funds) to allow for cash management needs.

The result of the modified current service level budget is shown in Figure 2, the 2017-19 Affordable Budget. The changes in the 2017-19 affordable budget relative to the current 2015-17 Legislatively Approved Budget are discussed in mostly in terms of FTE, because inflation on costs can make it appear that the budget, in dollars, is growing when the agency’s ability to deliver services may actually be shrinking.

The reductions required to balance the 2017-19 affordable budget are discussed in further detail in the program chapters of the budget, and are summarized below:

#### Air Quality Program

- 3.975 FTE Air Contaminant Discharge Permit
- 1.003 FTE in Air Monitoring
- 1.022 FTE in Title V
- 7.000 FTE in Vehicle Inspection Program

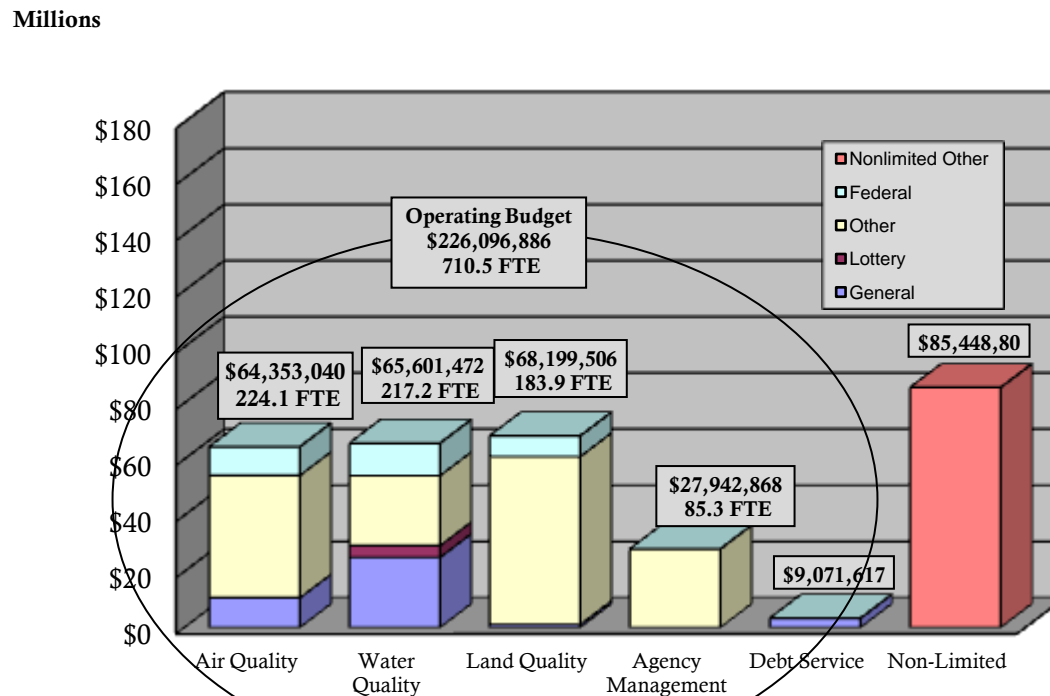
#### Water Quality Program

- 1.000 FTE in Clean water State Revolving Fund AD
- 1.500 FTE in Ground Water
- 1.000 FTE in STD&ASMT
- 1.137 FTE Water Quality Monitoring
- 2.500 FTE Waste Water Permitting

#### Land Quality Program

- 1.202 FTE in EC
- 0.612 FTE in Hazardous Waste
- 2.036 FTE in Oil Spill Prevention
- 2.39 FTE in Underground Storage Tanks

**Figure 2 -  
2017-2019 Affordable Budget, By Program  
\$320,617,303**



Item J 000006

# OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY

## AGENCY SUMMARY

### 2017-19 POLICY OPTION PACKAGES

The Agency Requested Budget proposes a total of 24 Policy Option Packages.

*Restoration of current activities that had to be reduced to balance available revenues:*

- 15.42 FTE
- \$1.83 million Other Fund
- \$0.96 million Federal Fund

*Addition of new, or expansion of current, operational activities:*

- 57.50 FTE
- \$10.01 million General Fund
- \$25.44 million Other Fund
- \$.96 million Federal Fund

*Expansion of current, non-operational activities:*

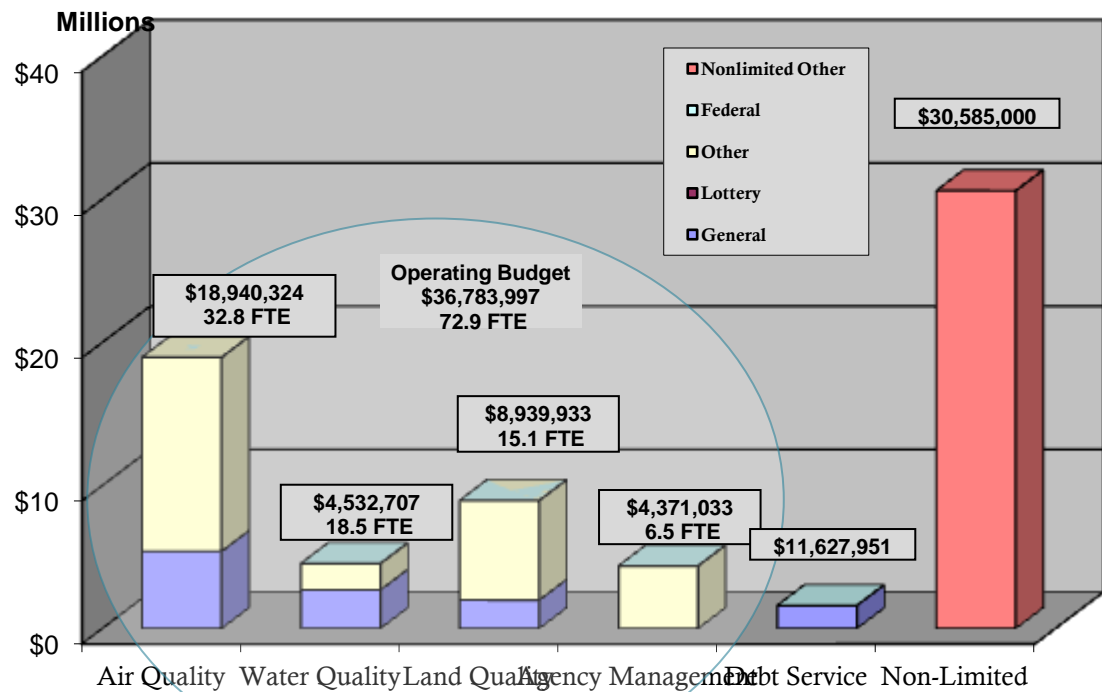
- \$30 million for loans associated with the 2017-19 federal CWSRF capitalization grants.
- \$11.6 million debt service on new bonds for CWSRF, Orphan Site Cleanup, EDMS.

*Reductions to current activities:*

- -10.00 FTE
- -\$2.62 million Other Fund
- - \$1.02 million Federal Fund

While the total policy package request seems large, over 80 percent (\$41 million) is for use outside of DEQ, providing additional low interest loans and support to local municipalities for the construction/upgrade of sewage treatment facilities.

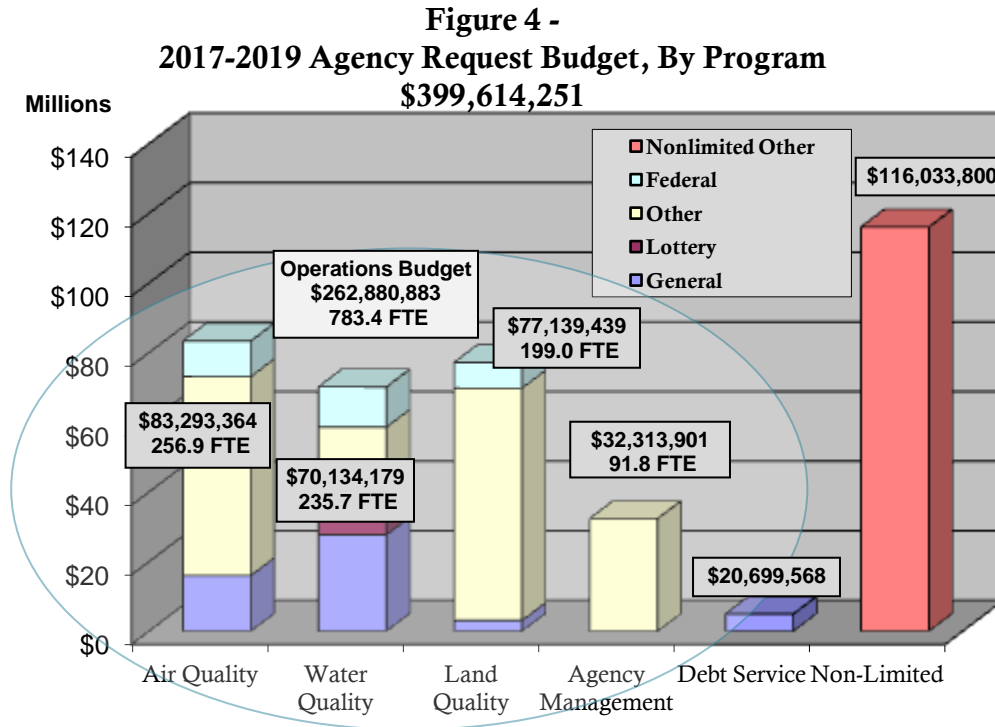
**Figure 3**  
**2017-2019 Package & Adjustments Budget, By Program**  
**\$78,996,948**



# OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY

## AGENCY SUMMARY

The DEQ 2017-19 Agency Request Budget is comprised of the modified current service level, or affordable budget, plus the policy packages and other adjustments/reductions, effectively adding Figure 3 to Figure 2 to create:



- Note that the four program areas circled make up the “Operating Budget,” authorizing 783 FTE and \$262.9 million for DEQ operations.
- For the 2017-19 biennium, approximately \$137 million of the total budget (outside the circled funds) continues to provide environmental benefit for Oregon, but does not directly support DEQ provided services, maintaining the same rough proportion of operational funding (66 percent) and non-operational funding (34 percent) from the 2015-17 budget.
- The Operations Budget is roughly 66 percent (\$262.8M) of total budget, comprised of
  - \$ 46.7 million General Fund
  - \$ 4.2 million Lottery Fund
  - \$ 182.9 million Other Fund
  - \$ 29.0 million Federal Fund

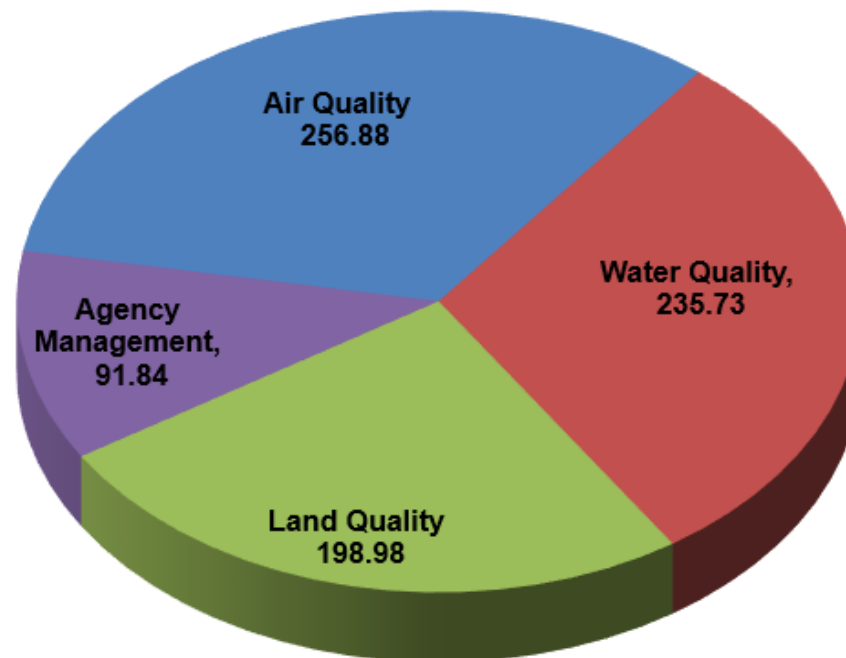
Figure 5 shows the 2017-19 Agency Request Budget FTE by program:

Item J 000008

# OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY

## AGENCY SUMMARY

**Figure 5 -  
2017-2019 Agency Request Budget By Program  
TOTAL FTE - 783.4**





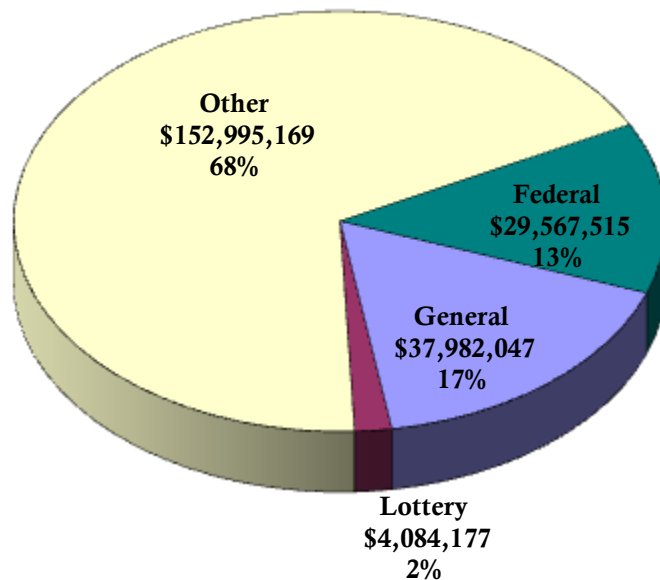
# OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY

## AGENCY SUMMARY

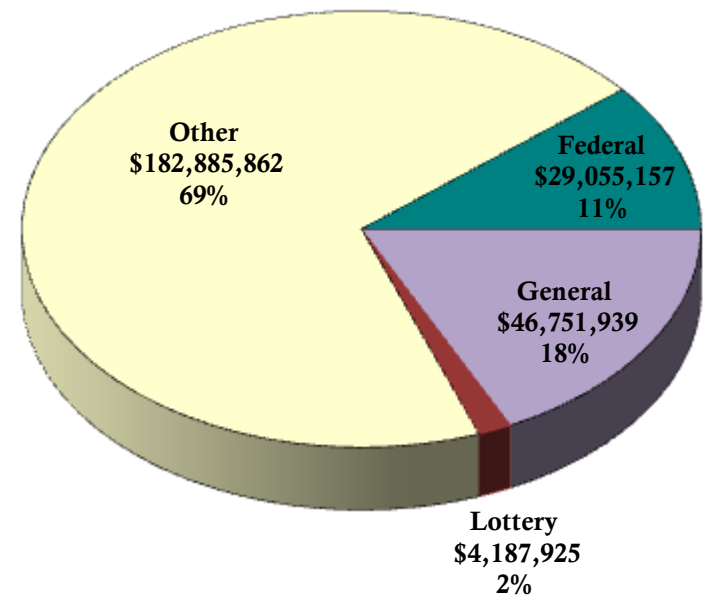
Comparing the 2017-19 Agency Request Budget to the 2015-17 Legislatively Approved Budget (Figure 6), DEQ's requested operations budget has increased by \$42.1M and just over 60 FTE. General and Lottery Fund have increased by approximately \$8.8M. The Federal Funds budget has decreased by \$512,358. Other Fund activities, the largest component of the DEQ operations budget at 69 percent of the total, experienced \$29.9M in increased costs of current services.

**Figure 6 – Comparison of Funding Sources 2015-17 to 2017-19**

### 2015-2017 Total Legislative Approved Operations Budget - \$220,770,896



### 2017-2019 Agency Request Budget Operations Budget - \$262,880,883



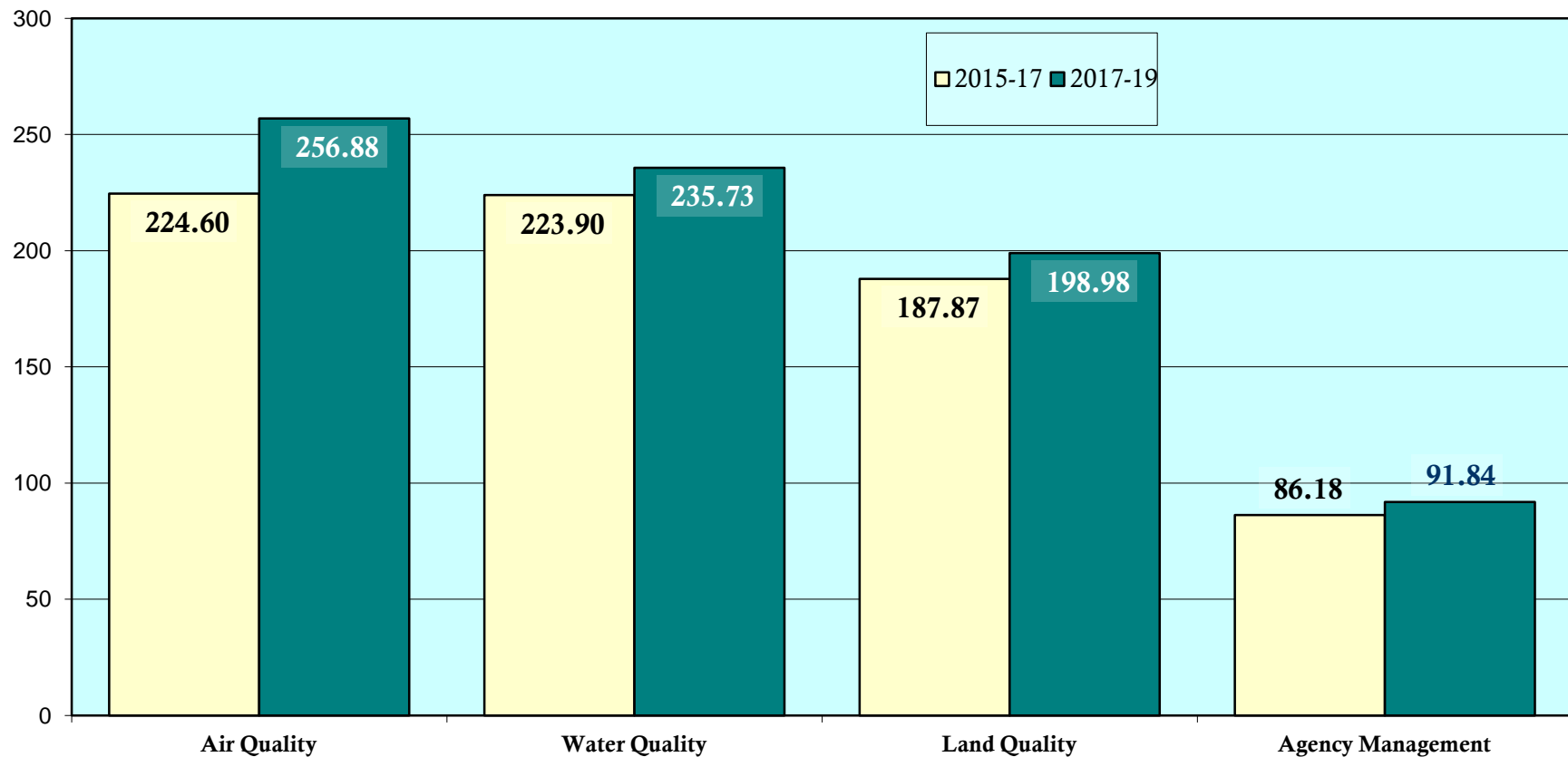
Item J 000010

# OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY

## AGENCY SUMMARY

In terms of FTE, Figure 7 shows that comparison of 2015-17 Legislatively Approved Budget FTE to the 2017-19 Agency Request FTE, by program. The net increase in Air Quality, Water Quality, and Agency Management FTE resulted from policy option packages for new work (primarily an environmental data management system project).

Figure 7 -  
2015-2017 Approved vs 2017-2019 Agency Request Budget 783.43 FTE



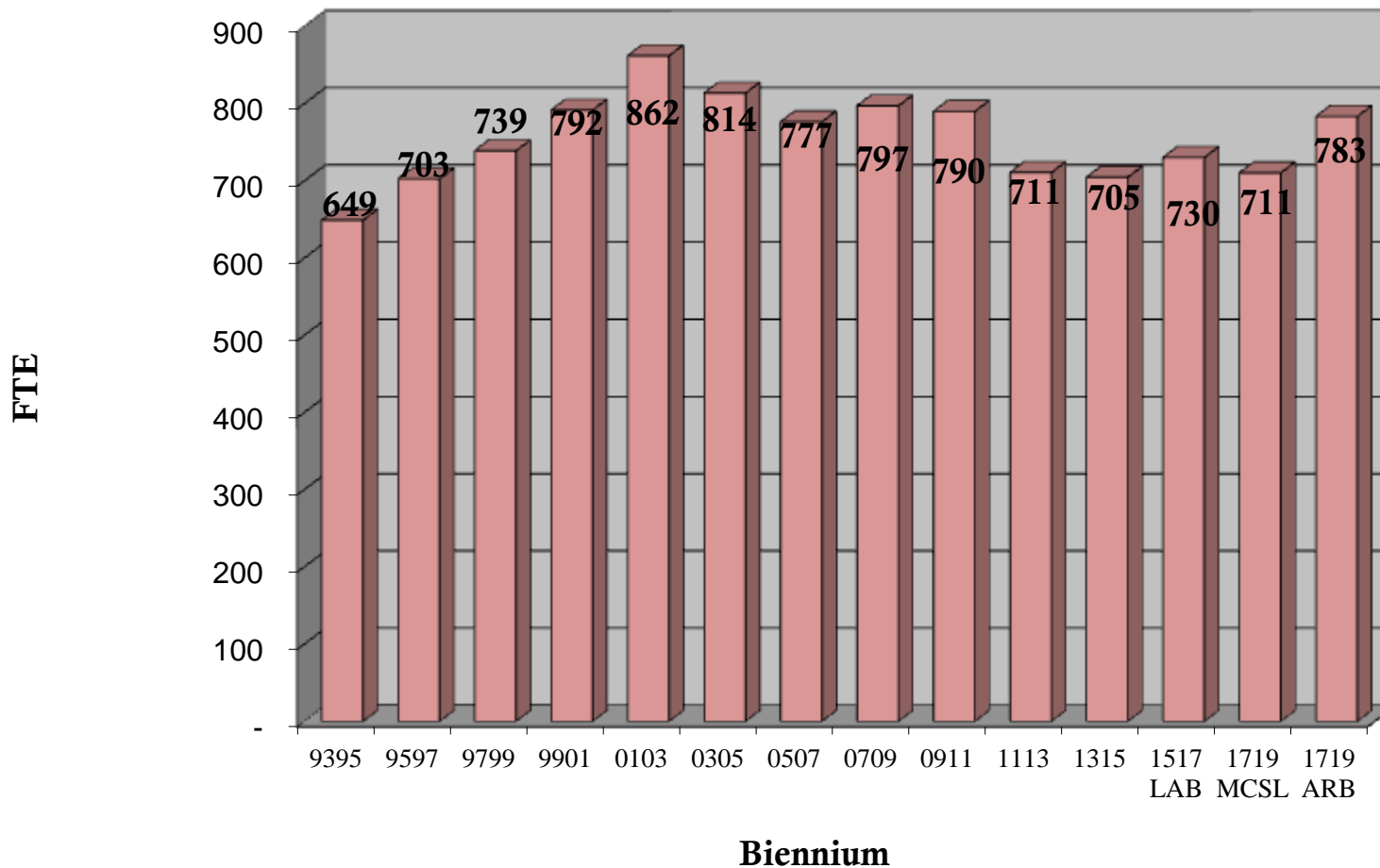
Item J 000011

# OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY

## AGENCY SUMMARY

The DEQ Affordable Budget FTE, shown in the 1719 MCSL column in Figure 8, is 18 FTE below the 2015-17 Legislatively Approved Budget. With the requested budget adjustments and requested POP packaged, the DEQ 2017-19 the total Agency staffing increased to 783 FTE, up 83 FTE from the 2015-17 FTE level.

**Figure 8**  
**DEQ Staffing Over Time**



Item J 000012

**OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY**  
**AGENCY SUMMARY**

Item J 000013

POP #	PROG	Package Title	DEQ Rank	General Fund	Other Fund	Nonlimited/ Debt Service	Total Cost	Number of Positions	FTE	FUND TYPE	Position Classification & Location	DESCRIPTION
161	Agency Management/ ALL	Environmental Data Management System	1	\$ 350,748	\$ 6,278,990	\$ 1,086,701	\$ 7,716,439	19	13.5		Various	DEQ needs to replace its aging permitting technology systems with a single system that provides a common platform and standardized business processes to support all agency permitting, invoicing, electronic reporting, inspections and other critical program activities. We estimate that it would 6 years to implement a system like this and would cost approximately \$15 million, including the staff to implement the system. DEQ is actively working with DAS and the state's Chief Information Officer to determine the best path forward which currently appears to be to purchase and customize a commercial-off-the-shelf system As part of scoping this project, DEQ is determining what to incorporate into the 2017-19 request, versus requests in 2019-21 and 2021-23. This package represents the best information available in June 2016, though it may change over time. The estimated cost for the 2017-19 biennium is \$6.1 million of the roughly \$15 million project. DEQ is requesting bonding to cover most of the cost of the system. If the bonding is approved, it would be repaid over four biennia, at roughly \$4 million per biennia including debt service. \$334,468 represents the noncapitalizable portion of the 2017-19 request. DEQ is requesting General Fund to cover the cost of this project.
110	AQ	Maintain an Effective ACDP Permit Program	2		\$ 861,881		\$ 861,881	5	4.0	Fee	1-NRS1, 1.5-NRS2s, 1-EE2, .5-NRS4	The ACDP program needs a fee increase to support current staffing levels. Fees were last increased in 2013 by 20% with that increase expected to support the program for two biennia. This policy package restores 4.0 FTE based on a fee increase. The program is researching options for the fee increase - across the board or fee/category specific increase.
113	AQ	Implement Cleaner Air Oregon Air Toxics Monitoring	3	\$ 3,340,616			\$ 3,340,616	12	9.3	GF	2-Chem 1, 2-Chem 3, ISS6, 3 NRS 2, 4-NRS 3; \$1,120,000 for equipment and software	Adds positions, equipment and funding to: (a) Purchase and operate a mobile continuous metals monitor. (b) Purchase and operate 50 nephelometers across the state to measure particulate matter. There is a high correlation between particulate and metals and information would help to identify where full air toxics monitoring should be located. (c) Purchase and operate 6 full air toxics trends sites across the state. (d) Add staff for moss collection.
116 LC 594	AQ	Implement Cleaner Air Oregon Risk-based Air Permitting	4	\$ 130,529	\$ 1,778,014	\$ -	\$ 1,908,543	12	7.3	GF & Fees	2-NRS 3, 9-NRS 4s, 1-ISS 5. Positions phased-in beginning Jan 1, 2018 through July 1, 2018	This package provides the staffing needed to implement Cleaner Air Oregon human health risk-based regulations for air quality. CAO will reset allowable pollution levels and tie the standards used in permitting decisions and enforcement actions to health-based standards. With rule adoption planned for December 2017, initial positions begin Jan. 1, 2018 and others are phased in over the next six months. The new positions will perform emission inventories, modeling and source test reviews, risk assessments, and permit writing and inspections. Of the 12 positions, three positions are budgeted on Title V (\$498,849), eight positions are budgeted on ACDP (90% fees \$1,279,165 and 10% General Fund \$130,529). One IT position is budget on ACDP and Title V (50%/50%). Position funding is based on expected new work.
134	LQ	Emergency Preparedness Planning, Incident Response, and Resource Restoration	5	\$ 1,974,631			\$ 1,974,631	8	7.4	GF	Cut and restore 3 FTE, new 4.5; new PEM E, OPA4, 2 NRS 4, .5 AS1; restore ISS5, NRS4, NRS2; locations 2 in regions, 6 in HQ; \$90,000 S&S in addition to FTE related S&S	DEQ needs critical resources to prevent, plan for and effectively respond to all spills of hazardous materials, oil train incidents and natural disasters. Current response unit capacity is stretched thin during single event (such as the Mosier train incident) emergencies and response resources are quickly exhausted for example when responding to multiple simultaneously-occurring emergencies. DEQ and other agencies have been assigned new work on planning and response preparedness for a number of natural disasters, including the potential of a Cascadia Subduction Zone earthquake.
141	Agency Managem.	Website Content Management	6		\$ 179,278		\$ 179,278	1	1.0	Agency Indirect	TBD	DEQ's website content is outdated and DEQ has little expertise in web writing. DEQ proposes a content manager to ensure routine evaluation and updating of the agency's website content. This would result in website content that is timely, accurate and useful to the public. Evaluating whether this is a new position or contract work.

POP #	PROG	Package Title	DEQ Rank	General Fund	Other Fund	Nonlimited/ Debt Service	Total Cost	Number of Positions	FTE	FUND TYPE	Position Classification & Location	DESCRIPTION
125	WQ	Water Quality Permitting Program Improvements [Placeholder]	7	\$ 249,496			\$ 249,496	1	1.0	GF	PA3	In 2015 a budget note was attached to the DEQ budget. The budget note required the agency to hire a contractor to review the water quality permitting program and make recommendations to improve the efficiency and effectiveness of the program, particularly to reduce the permit backlog. The report and recommendations are due in November 2016. We anticipate the recommendations will speak to staffing levels and sustainable funding strategies for the program. This package is a placeholder to allow for consideration of the recommendations during the 2017 legislative session.
114	AQ	Reduce Wood Smoke Emissions	8	\$ 100,000			\$ 100,000	-	0.0	GF	-	Placeholder for implementing recommendations of the Woodsmoke Task Force; \$100,000 would be for pass through monies to assist communities to meet and maintain compliance with federal health standards for fine particulate pollution. The funding would help communities staff their woodsmoke curtailment programs. These programs have proven to be an effective tool to reduce particulate pollution and avoid nonattainment designation and its associated economic development restrictions.
120	WQ	Minimizing Impacts from Urban Stormwater	9	\$ 464,591	\$ 343,729		\$ 808,320	4	3.8	GF/Fee (limitation)	1.0 NRS4 (restoration), 1.0 NRS2 (restoration), 0.875 NRS3 (enhancement, phased in) and 0.875 NRS2 (enhancement, phased in), locations TBD	DEQ lacks the resources necessary to minimize pollution in stormwater runoff from urban areas through implementation of the federal MS4 permit program. This package will restore (maintain) one position currently unaffordable due to a revenue shortfall and establish three new positions, increasing the number of dedicated MS4 staff from one to four positions. This will enable DEQ to fulfill its regulatory responsibilities and provide an adequate level of service to MS4 permittees, including issuing timely and effective permits, evaluating compliance and providing compliance assistance where needed, conducting inspections and initiating enforcement actions when necessary, analyzing annual reports to evaluate effectiveness of pollution reduction measures and providing feedback to permittees, and responding to complaints.
142	Agency Managem.	Information Security	10		\$ 235,970		\$ 235,970	1	1.0	Agency Indirect	ISS 7	DEQ needs an IT security analyst to ensure security of its data and systems. Focus would be on developing and implementing a strategic IS plan, IS security policies and a plan for security incident response.
132 LC 593	LQ	Restore Underground Storage Tanks Inspections	11		\$ 724,580		\$ 724,580	3	3.0	Fee	Cut and restore 2 NRS3 (inspector) positions. Add PA 2.	The UST compliance program ensures properly functioning UST systems to prevent leaks and other releases that can pollute soil and groundwater. UST fees and grants are not sufficient to meet basic program requirements. The program is currently operating with only 2/3 of inspection staff with additional cuts in policy, manager and support positions. DEQ's program became out of compliance with EPA inspection standards in April 2016. Last fee increase was in 2007.
115 LC 594	AQ	Reduce Harmful Diesel Emissions	12	\$ 433,860	\$ 10,350,787		\$ 10,784,647	4	2.5	GF/OF (settlement)	4-OPA 2s	Placeholder for a package to reduce diesel emissions. This package was developed prior to the release of the VW settlement agreement. This package will need changes based on the specifics of the settlement agreement and the needs of Oregon.
112 LC 594	AQ	Enhance Community Response	13	\$ 1,104,055			\$ 1,582,680	5	5.0	GF	Coord/commuication NRS 4, intake 2 AS 1's, responders: NRS1, 1 NRS 2's; equipment \$50K	DEQ logs approximately 3,600 complaints each year and the number is on the rise. Seventy percent of the complaints are air related. Currently, complaint intake is piecemeal and there is very little in-person follow up. This request will improve DEQ's response to the public's concerns. The package would establish a core complaint intake and coordination (3 FTE) group that would serve all of the DEQ programs. It would also add four FTE to expand field presence and improve communication with the public in the Air Quality program. Field responders would carry smart phones, tablets, testing equipment and cameras and could often be on the scene soon after a problem is reported. One NRS 2 field responder would be funded by ACDP fees (\$228,765) and one NRS 3 field responder would be funded by Title V fees(\$249,860).
					\$ 478,625			2	2.0	OF	Responders: 1 NRS 2, 1 NRS 3	
122	WQ	Setting Water Quality Standards	14	\$ 257,898			\$ 257,898	1	1.0	GF	1.0 NRS4 HQ	Restores a water quality standards position that is unaffordable due to a revenue shortfall. Water quality standards are the foundation of DEQ's water quality protection program. Standards establish water quality goals by designating beneficial uses for each water body and setting criteria to protect those uses.

4\_Packages.xlsx

POP #	PROG	Package Title	DEQ Rank	General Fund	Other Fund	Nonlimited/ Debt Service	Total Cost	Number of Positions	FTE	FUND TYPE	Position Classification & Location	DESCRIPTION
131	LQ	Implement Materials Management 2050 Vision	15		\$ 2,625,533		\$ 2,625,533	5	4.5	Fee	2 NRS4, 3 NRS3, OPA 1; location 2 in regions, 3 in HQ; Contracts \$1 million, grants \$700,000	DEQ developed a six-year strategy to implement the 2050 Vision for Materials Management. This program had two successful bills in 2015. The work accomplished in 2015-16 sets the foundation for a 2017 request. No fee increase requested.
135 & 193	DS	Orphan bonds Debt Service	16			\$ 520,000	\$ 520,000		0.0	GF		The orphan program is projecting a need for \$5 million bond sale in late calendar 2017 and \$5 million in 2019. This is due to upcoming EPA match requirements for NPL sites, existing orphan cleanup work and O&M. There is a small contingency for new orphans. There will be two corresponding requests for limitation only (no additional funds) to pay bond issuance costs and to spend bond proceeds on orphan cleanup work. This sale will keep bond payments below historical levels and will not exceed 1517 bond debt service payments.
181 & 183	NL/DS	Clean Water SRF Capitalization Grant Loans and Bond Debt Service	17			\$ 40,170,000	\$ 40,170,000	n/a	n/a	NL/DS	n/a	Authorization to make loans for \$30M of new CWSRF Capitalization Grants and limitation for \$150K for issuance costs of two \$5M bonds. Debt service for two new \$5M bonds for state match on CWSRF capitalization grants.
123	WQ	Harmful Algae Bloom Response and Assessment	18	\$ 694,480			\$ 694,480	4	3.0	GF	2.0 NRS3, 0.5 NRS1, \$30,000 S&S for lab supplies	Provides permanent funding for DEQ to collect and analyze water samples in response to a HABs, in coordination with Oregon Health Authority. Also provides permanent funding for data analysis, source identification and restoration planning/coordination to minimize frequency and severity of HABs.
121	WQ	Toxics Monitoring and Groundwater Assessment and Protection	19	\$ 991,080			\$ 991,080	4	4.0	GF	2.0 NRS4 Hydro; 1.0 NRS2; 1.0 Chem2	Restores (maintains) four positions that are unaffordable due to a revenue shortfall. This includes two laboratory positions whose loss would result in approximately one-third reduction in toxics monitoring, GWMA monitoring and statewide groundwater quality assessment, a statewide groundwater program coordinator and policy development position, and a half-time Western Region position that is restored as a full-time position working on Southern Willamette GWMA, permitting issues and nonpoint source GW education, technical assistance and coordination with local entities/sister agencies.
		Total Policy Option Packages		\$ 10,091,984	\$ 23,857,387	\$ 41,776,701	\$ 75,726,072	91	73.1			
		General Fund Nonlimited/Debt Service		\$ 520,000		\$ (520,000)	\$ -					
		Total Request by Funding		\$ 10,611,984	\$ 23,857,387	\$ 41,256,701	\$ 75,726,072					

## 10% REDUCTION OPTIONS

<b>Activity or Program</b> <i>(which program or activity will not be undertaken)</i>	<b>Describe Reduction</b>	<b>Amount and Fund Type</b>	<b>Rank and Justification</b>
Air Quality (001) - LRAPA 10%	Cuts 10% of the General Fund passed to LRAPA	GF - \$26,689	GR1 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Air Quality (001) - PM 2.5 speciation	Reduces fine particulate speciation to all but three to four winter months. DEQ will need EPA approval to implement this reduction.	GF - \$192,000	GR2 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) – Eastern Region basin specialist	Reduces capacity in eastern Oregon to support TMDL implementation activities, including assistance in developing TMDL implementation plans, oversight of TMDL implementation activities to ensure their effectiveness toward meeting water quality objectives, and providing technical assistance to communities, watershed councils and other stakeholders on the design and implementation of water quality restoration projects. If taken, DEQ would not be able to support this work unless a reevaluation of statewide priorities led DEQ to discontinue TMDL implementation work in western Oregon basins in order to reassign a position to work in eastern Oregon.	GF - \$200,000	GR3 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Air Quality (001) - Ozone monitoring	Eliminate five ozone monitoring sites, two in Portland and three others state-wide.	GF - \$136,000	GR4 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.



## 10% REDUCTION OPTIONS

<b>Activity or Program</b> <i>(which program or activity will not be undertaken)</i>	<b>Describe Reduction</b>	<b>Amount and Fund Type</b>	<b>Rank and Justification</b>
Water Quality (002) – Integrated Water Resources Strategy	Following adoption of the IWRS in 2012, the legislature established three new positions at DEQ to support achievement of the IWRS goal of meeting Oregon's future water needs. These positions provide water quality expertise for place-based planning efforts and ensure water quality outcomes are adequately considered when planning water storage and supply projects. Loss of this position reduces DEQ's ability to staff these efforts throughout the state and increases the potential that they might inadvertently result in negative water quality impacts. Diminished stream flow is the most widespread cause of water quality impairment in Oregon. This reduction diminishes DEQ's ability to determine flow needs to meet water quality standards and promote non-regulatory approaches to meeting water quantity/quality objectives (e.g., water reuse).	GF - \$250,000	GR5 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) - Nonpoint Source Policy	Reduces capacity for nonpoint source policy development and interagency coordination on federal lands and agricultural, forestry and road-related water quality issues, including technical assistance, development of memoranda of agreement, reviewing and providing feedback on water quality management plans regarding progress toward meeting TMDL load allocations, and ongoing coordination needed to protect waters of the state. Also reduces support for developing guidance, improving coordination between HQ and regions and updating Oregon's nonpoint source program plan.	GF - \$238,000	GR6 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

## 10% REDUCTION OPTIONS

Activity or Program <i>(which program or activity will not be undertaken)</i>	Describe Reduction	Amount and Fund Type	Rank and Justification
Water Quality (002) - GWMA, toxics and groundwater monitoring and analysis	<p>Reduces by about one-third DEQ's current capacity for collecting and reporting surface water and sediment toxics data, assessing groundwater quality in basins throughout the state, and tracking groundwater quality trends in Groundwater Management Areas (GWMAs). Fewer data would be collected and reports would be delayed, leaving DEQ, communities and other stakeholders with less information to guide water quality protection and restoration activities. Also limits ability to identify areas that are vulnerable to groundwater contamination so preventative measures can be implemented to protect groundwater quality and avoid costly clean-ups or point-of-use treatment, and determine if there are contaminants in drinking water that could present a threat to human health.</p> <p>Note: POP 121 also includes monitoring resources. If POP 121 is not funded and if this reduction is implemented, we would see a 2/3 reduction in toxics, groundwater and GWMA monitoring."</p>	GF - \$387,000	GR7 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Air Quality (001) - Heat Smart	Eliminates a position that implements the Heat Smart program and provides technical assistance to homeowners on removal of old, polluting woodstoves, which are the leading cause of air quality violations. This cut would result in very minimal support for woodstove work and would halt implementation of the emerging inter-agency approach to wood smoke and biomass work.	GF - \$296,000	GR8 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

## 10% REDUCTION OPTIONS

<b>Activity or Program</b> <i>(which program or activity will not be undertaken)</i>	<b>Describe Reduction</b>	<b>Amount and Fund Type</b>	<b>Rank and Justification</b>
Water Quality (002) – Nonpoint Source Coordination	Reduce HQ support for nonpoint source policy development and interagency coordination on agricultural water quality issues, including development of memoranda of agreement, reviewing and providing feedback on agricultural water quality management plans regarding progress toward meeting TMDL load allocations, and ongoing coordination. Also reduces support for developing guidance and improving coordination between HQ and regions, and providing support for DEQ's nonpoint source toxics reduction efforts.	GF - \$276,000	GR9 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) – Integrated Water Resources Strategy	Eliminates the second of three IWRS positions, severely impairing DEQ's ability to support the realization of IWRS goals. DEQ would be unable to support place-based planning efforts throughout the state and be hard-pressed to provide an adequate level of review for water supply and storage projects to ensure water quality is protected. Current program improvement projects would not be completed, meaning there would be no return on investment.	GF - \$250,000	GR10 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

## 10% REDUCTION OPTIONS

Activity or Program <i>(which program or activity will not be undertaken)</i>	Describe Reduction	Amount and Fund Type	Rank and Justification
Water Quality (002) - WPCF permit writer	Eliminates the Water Pollution Control Facility (WPCF) permit writer position from DEQ's Northwest Regional Office. This would result in significant delays in permit renewals, modifications and new applications for permittees located in the Portland Metro Area and counties on the north coast. This would also result in delays in DEQ's response to requests for approval for land application of biosolids, working with applicants on biosolids management plans and recycled water plans in the region. This reduction will impact DEQ's ability to provide timely reviews for new facilities that need permits and technical assistance for businesses and communities working on recycled water projects and/or need DEQ's approvals to dispose of biosolids. Work done by this position would be redistributed to DEQ's regional and policy staff, which would compound in delays to WPCF permit issuance, biosolids land application approval, and recycled water project throughout the state as well as delays in policy development.	GF - \$250,000	GR11 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Air Quality (001) - Emission Inventory	Emission inventories are the scientific underpinning of air quality planning, including identification of sources, determining baseline emission levels, evaluating the benefits of proposed emission reduction strategies, and meeting federal technical requirements. This cut would result in delayed air toxics and fine particulate planning work.	GF - \$108,000	GR12 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) – Compliance and enforcement	This reduction is expected to affect the timeliness of the resolution of enforcement actions, but would not reduce the number of enforcement actions since enforcement actions are initiated by program staff (i.e., inspections, referrals and communication of needed corrective action). Preserving positions that can initiate enforcement actions is more likely to advance our environmental protection objectives. WQ currently funds approximately 3.5 FTE of ELS in OCE.	GF - \$228,000	GR13 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

Item J 000021

## 10% REDUCTION OPTIONS

<b>Activity or Program</b> <i>(which program or activity will not be undertaken)</i>	<b>Describe Reduction</b>	<b>Amount and Fund Type</b>	<b>Rank and Justification</b>
Air Quality (001) - Planning/project management	Position provides project management support for Air Quality projects. Would eliminate work on projects supported by General Fund; the main focus of work is air toxics, clean diesel and clean fuels.	GF - \$148,000	GR14 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) - GWMA, toxics and groundwater monitoring and analysis	This reduction eliminates DEQ's toxics monitoring program, statewide groundwater monitoring program and GWMA monitoring. The level of reduction makes it untenable to continue to support the full range of analytical capabilities at the laboratory, thereby causing the laboratory to discontinue analysis of certain suites of chemicals including those that are persistent and bio-accumulative and may impact human health (i.e., organics).	GF - \$680,307	GR15 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) – Biomonitoring (1 of 2)	Reduces by half DEQ's collection of water quality and biological data for assessing watershed health. This information is used by state and federal agencies and local stakeholders to guide watershed restoration efforts and help ensure resources are strategically applied to achieve salmon recovery and water quality objectives.	LF - \$209,396	LR1 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) – Biomonitoring (2 of 2)	Eliminates DEQ's collection of water quality and biological data for assessing watershed health. This information is used by state and federal agencies and local stakeholders to guide watershed restoration efforts and help ensure resources are strategically applied to achieve salmon recovery and water quality objectives.	LF - \$209,396	LR2 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

## 10% REDUCTION OPTIONS

Activity or Program <i>(which program or activity will not be undertaken)</i>	Describe Reduction	Amount and Fund Type	Rank and Justification
Air Quality (001) – Contract for Scientific Data	Eliminate DEQ's ability to manage the contract for NW AirQuest. In a coordinated effort, the EPA Region 10 environmental quality agencies of Oregon, Washington and Idaho contract with the Northwest International Air Quality Environmental Science and Technology Consortium (NW-AIRQUEST) for meteorological, emissions and modeling data. The other states have managed the contract and it is ODEQ's turn to do so.	FF - \$704,730	FR1 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) – Federal grants supporting Water Quality initiatives	Would reduce funding DEQ uses to accomplish high priority agency work such as program improvement and streamlining efforts, augmenting existing water quality protection efforts, development and testing of innovative approaches to water quality protection, enhanced use of electronic databases and other information technology innovations, and clean water protection and enhancement activities, including water quality monitoring and Total Maximum Daily Load (TMDL) development.	FF - \$643,929	FR2 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Land Quality (003) – LUST Cleanups Completed	Eliminate services and supplies limitation. Reduces ability to complete LUST cleanups.	FF - \$450,000	FR3 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) – Clean Water Act Section 604(b) Water Quality Management Planning grants	This reduction would reduce federal funding for water quality management planning. EPA provides funds for states and regional and interstate agencies to determine the nature and extent of point and non-point source water pollution and to develop water quality management plans. If this limitation were cut, DEQ would not be able to make grants to regional and interstate water quality planning organizations if federal funding were available.	FF - \$174,999	FR4 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

Item J 000023

## 10% REDUCTION OPTIONS

<b>Activity or Program</b> <i>(which program or activity will not be undertaken)</i>	<b>Describe Reduction</b>	<b>Amount and Fund Type</b>	<b>Rank and Justification</b>
Air Quality (001) – Pollution Prevention Grant	Eliminate the limitation associated with federal Pollution Prevention Grants. These grants are meant to reduce pollution before it happens.	FF - \$326,538	FR5 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Land Quality (003) – LUST Trust Grant	In the short term LUST Cost Recovery fund will support the need for LUST cleanups, however federal fund increases do not keep up with program costs. DEQ's ability to do LUST cleanup work would be further impacted. The LUST program's failure to meet site closure targets could lead to reduced base funding in future years.	FF - \$314,739	FR6 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) Clean Water Act Section 106 grant funded surveys of the nation's waters	This reduction would eliminate federal funding for Oregon's participation in the Clean Water Act Section 106 surveys of the nation's waters. EPA provides funds for States, Tribes and other eligible entities to participate in statistically-valid surveys of the Nation's waters. If DEQ does not conduct the work, it can request EPA to perform the work in Oregon, but will lose the opportunity to leverage this funding to support other monitoring objectives by integrating workplans for sample collection and analysis.	FF - \$323,339	FR7 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) – Federal Clean Water Act Section 319 grants	Reduction in grants used for watershed restoration activities to improve water quality. Under normal circumstances, DEQ would grant \$1.5 to \$2.0 million per biennium. In FFY2015 and FFY2016, EPA has reduced Oregon's 319 appropriation until the State demonstrates progress towards implementing an approval Coastal Nonpoint Source Management Plan. No position or FTE impact.	FF - \$178,975	FR8 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

Item J 000024



## 10% REDUCTION OPTIONS

Activity or Program <i>(which program or activity will not be undertaken)</i>	Describe Reduction	Amount and Fund Type	Rank and Justification
Land Quality (003) – Cleanup/Dedicated Cleanup	This keeps Professional Services limitation able to handle current work level. A new big project would not have adequate limitation.	OF - \$4,542,397	HR1 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Land Quality (003) – SW Orphan	Reduction of limitation could compromise DEQ's ability to clean up a new orphaned landfill.	OF - \$1,000,000	HR2 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Air Quality (001) – VIP station	Close a Portland VIP Station and reduce technical support for the program. Closing an inspection station would drastically increase average wait times at the remaining Portland stations and inconvenience customers in the closure area. Reduce approximately 21 FTE.	OF - \$4,629,184	HR3 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) – Miscellaneous Other Fund projects	Would eliminate DEQ's ability to enter into agreements regulated entities, and with other partners to expedite regulatory processes and to conduct special projects. ORS 468.073 allows DEQ to enter into agreements with an applicant, permittee or regulated party to enable the agency to expedite or enhance a regulatory process. ORS 468.035 allows DEQ to conduct and prepare, independently or in cooperation with others, studies, investigations, research and programs pertaining to the quality and purity of the air or the waters of the state and to the treatment and disposal of wastes. This reduction would eliminate all limitation and position authority for these types of projects.	OF - \$1,748,147	HR4 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.



## 10% REDUCTION OPTIONS

Activity or Program <i>(which program or activity will not be undertaken)</i>	Describe Reduction	Amount and Fund Type	Rank and Justification
Land Quality (003) – Dry Cleaners	Maintains Professional Services limitation able to handle current reduced work level. Without new funding cleanup activity will have to decrease.	OF - \$500,000	HR5 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Agency Management (004) – Support Services	<b><u>Placeholder</u></b> - Reductions would be gradually implemented as reductions in indirect revenue accrue from adopting reduction options (all fund types) in program areas, when agency management indirect fund balances drop below the amount needed for ongoing operations.	OF - \$2,301,922 Indirect Surcharge	<b>HR06</b> - Combination of factors: Least harm to agency core infrastructure support and mandatory processes.
Water Quality (002) – 401 Hydroelectric Certification capacity	Would reduce capacity to evaluate 401 hydroelectric certification applications to determine if state water quality standards will be met. DEQ would have limited capacity to respond to major complex hydroelectric relicensing projects under FERC and minor projects under state review process, and reduced capacity to evaluate proposed investigations to assess site conditions and potential impacts of hydroelectric projects on water quality and beneficial uses.	OF - \$187,000	HR7 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) – Septic system (Onsite) permitting implemented by county governments	Shift septic system permitting to other government entities. Some counties already perform this function, though expanding the universe would likely be challenging due to local government economic considerations. DEQ would retain oversight and technical assistance. Approximately 3 FTE would be reduced.	OF - \$614,645	HR8 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.