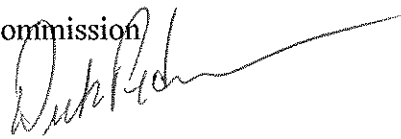


State of Oregon
Department of Environmental Quality

Memorandum

Date: Nov. 23, 2015
To: Environmental Quality Commission
From: Dick Pedersen, Director 
Subject: Agenda item B, Informational item: Budget and legislative updates
Nov. 9-10, 2015, EQC meeting

Why this is important DEQ will inform the commission about legislative and budget updates at the agency, state and federal level. This item is also a follow-up to the November 5 commission work session about the agency's budget development process for 2017-19.

Background DEQ provides updates on budget and legislative matters at most regular commission meetings. This update will include information about the agency's 2015-17 Operating Budget, next steps for program development and implementation of the agency's legislative policy updates and budget.

EQC involvement and next steps Staff will continue to inform the commission on budget development and implementation through regular updates at 2016 meetings.

Attachments None at this time. Additional documents and supplemental materials will be provided at or just before the meeting as they become available and up-to-date.

*Information provided by staff - report prepared by Stephanie Caldera
Commission assistant*

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

January 2016

- 27-28 - EQC Meeting
 - Focus on draft legislative concepts and budget policy packages, including prioritization of packages
 - Discussion of projected General Fund availability for 2017-19 and implications for funding prospective policy packages
 - Budget Update
 - Preview of 2016 Session

February 2016

- 1 - Legislative Session begins

March 2016

- 5 – Legislative Session statutory end date
- 7 – 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
- EQC meeting – final 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
- 15-16 - EQC Meeting – update on legislative agenda; finalize budget decisions prior to budget submittal to DAS for audit
- 24 - Last day to modify legislative concepts
- Budget request submitted to DAS for audit

July 2016

- Budget narrative development

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

12/8/2015

Issues to inform decisions for DEQ Policy Option Packages and Legislative Concepts

Program needs related to core work

- Agency Infrastructure / technology modernizing at DEQ - Preparing for and selecting an environmental data management suite, an integrated set of software programs to replace existing, outdated technology systems.
 - Project management office – DEQ has used project management resources for some of its larger projects to great success. This approach has proven to be effective at improving our timeliness on project delivery, minimizing impacts on daily operations and ensuring efficiencies and/or redirection are sustainable. We seek to build on this success and create a Project Management Office. An additional FTE is being considered to staff this office for large non-information technology projects.
 - Business analysis support – ongoing outcome-based management process improvements are backlogged due to high demand. Adding staff to support continuous process improvements at DEQ needs to be considered to ensure process improvement success across the agency.
 - Contract management – informed by a process improvement effort and legislation passed in 2015 (HB 2375), additional resources are needed to efficiently and effectively issue, monitor and track contracts and grants.
 - Leg concept – may be needed to address electronic reporting and invoicing inconsistencies and barriers in statutory language.
- Fee requests and bonding – A majority of DEQ operations are funding by fees and DEQ is considering the need for fee increases in 2017. The agency is identifying all potential fee increase needs and will determine which ones are positioned to go forward in 2017, based on a number of considerations including: alignment with program direction and agency priorities, a fee surcharge concept for technology projects, annual cost adjusters as part of a leg concept, a bonding request for cleanup and stakeholder support.
- Materials management – 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.
- MS4 stormwater – Significantly understaffed, DEQ is examining options to improve delivery of the MS4 stormwater program
- Agency complaints / nuisance response – as public expectations for action grow, the agency is looking for ways to better address the approximately 2500 complaints received each year. This includes looking at general complaints as well as addressing formal nuisance investigations that focus on a single or multiple groups of sources. It may also address smoke management related to wildfires and prescribed burning.
- Spills response and disaster recovery – There is growing awareness of the impacts of a very large Cascadia earthquake. DEQ is effective at responding to smaller disaster events but needs to plan for its response in a major earthquake. The agency is considering what is needed to ensure DEQ can fulfill its role in a major disaster.

Emerging issues for DEQ

- Harmful Algal Blooms – This unfunded work is becoming more costly as HABs are becoming more frequent. We may seek money to support this work. Coordinated effort with OHA and Governor's Office.
- Clean Power Plan (placeholder for POP and/or LC) – implementation of 111(d) in the form of a statewide plan submitted for EPA approval; work is being done in conjunction with DOE and PUC. There is a tie-in to biomass that may require more resources.

Externally driven issues

- Woodstoves and PM attainment issues – This is ongoing policy work for DEQ and is tied to the 2015-17 interim study bill, including the establishment of a legislatively mandated task force and submittal of legislative recommendations. This effort includes a number of sister agencies such as DOE, PUC, OHA, Housing and ODA. This may tie-in to biomass.
- Clean diesel – There is an understanding that a legislatively-created workgroup will be created in the near future with a high likelihood for a legislative concept in 2017 sponsored by legislators or stakeholders. There is a linkage to DEQ's air toxics benchmark review which is underway.
- Climate Change / emissions (carbon tax, life cycle, ZEVs) – Legislators are showing interest in introducing one or more bills in 2016 and depending on the outcome, perhaps more bills in 2017. It is highly likely DEQ will have significant responsibilities related to this potential legislation. There is a likely tie-in to biomass.
- Placer Mining (suction dredge) – Senator Alan Bates, Ashland, is planning to sponsor legislation in 2016 that places DEQ in charge of issuing all federal / state permits for in-water motorized placer mining. There is a coordinated effort with DSL, DOGAMI and the Governor's Office.
- Onsite loan program – there were extensive 2015 legislative discussions over SB 246, which would have created this program. DEQ is working with Senator Arnie Roblan, Coos Bay, and stakeholders in anticipation of a similar bill in 2016 or 2017.
- Clean Water Partnership – this coordinated effort is being lead by the Governor's Natural Resource Office and includes OWEB, WRD, ODA, ODF, ODFW and DEQ. The work is continuing during this biennium. DEQ did not receive any POPs for this work in 2015. It is unclear if there will be a request for 2017