

CERTIFICATION

I hereby certify that the accompanying summary and detailed statements are true and correct to the best of my knowledge and belief and that the arithmetic accuracy of all numerical information has been verified.

Department of Environmental Quality

AGENCY NAME

811 SW 6th Avenue, Portland, OR 97204

AGENCY ADDRESS

SIGNATURE

Chair, Environmental Quality Commission

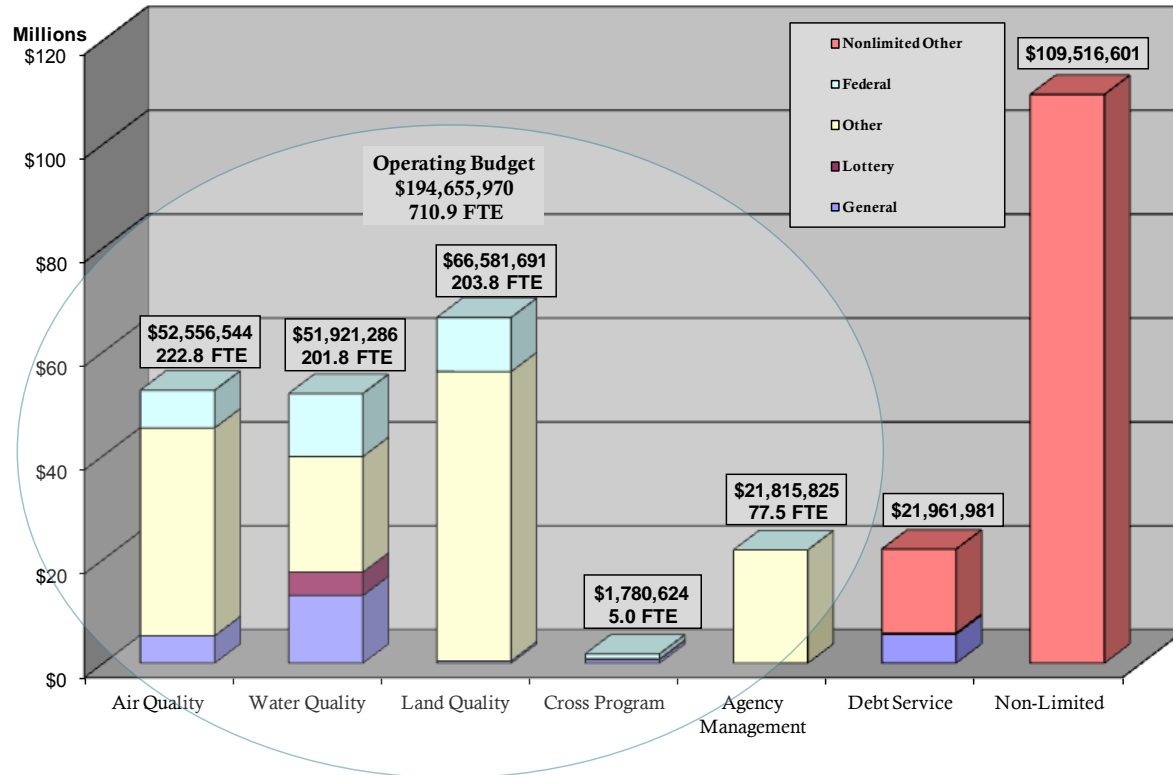
TITLE

Notice: Requests of those agencies headed by a board or commission must be approved by those bodies of official action and signed by the board or commission chairperson. The requests of other agencies must be approved and signed by the agency director or administrator.

OREGON DEPARTMENT OF ENVIRONMENTAL QUALITY AGENCY SUMMARY

The 2011-13 DEQ Legislatively Approved Budget is shown below.

**Figure 1 -
2011-2013 Legislative Approved Budget, By Program
\$326,134,552**



- The five program areas circled make up the “Operations Budget,” authorizing 711 FTE and \$195 million in total funds spending for DEQ operations.
- For the 2011-13 biennium, approximately 40 percent (\$131.5 million) of the total budget provides for environmental benefit to Oregon, but does not directly support DEQ services:
 - \$6.6 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.
 - \$15.1 million of debt service on bonds sold to provide state match and \$109.5 million for the Clean Water State Revolving Fund to provide low interest to local municipalities for the construction/upgrade of sewage treatment facilities.

2013-15 MODIFIED CURRENT SERVICE LEVEL BUDGET

The first stage in developing the 2013-15 Agency Request budget is to apply standardized adjustments to the 2011-13 budget to show the projected 2013-15 costs of continuing permanent services, known as the **Current Service Level (CSL)** budget. Using Federal, Other and Lottery Fund revenue estimates for 2013-15, 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 2013-15 Affordable Budget. The changes in the 2013-15 affordable budget relative to the current 2011-13 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 be shrinking

The reductions required to balance the 2013-15 affordable budget are discussed in further detail in the essential packages section of the program chapters, and are summarized below:

Air Quality Division

- 6.7 FTE, Air Contaminant Discharge Permitting

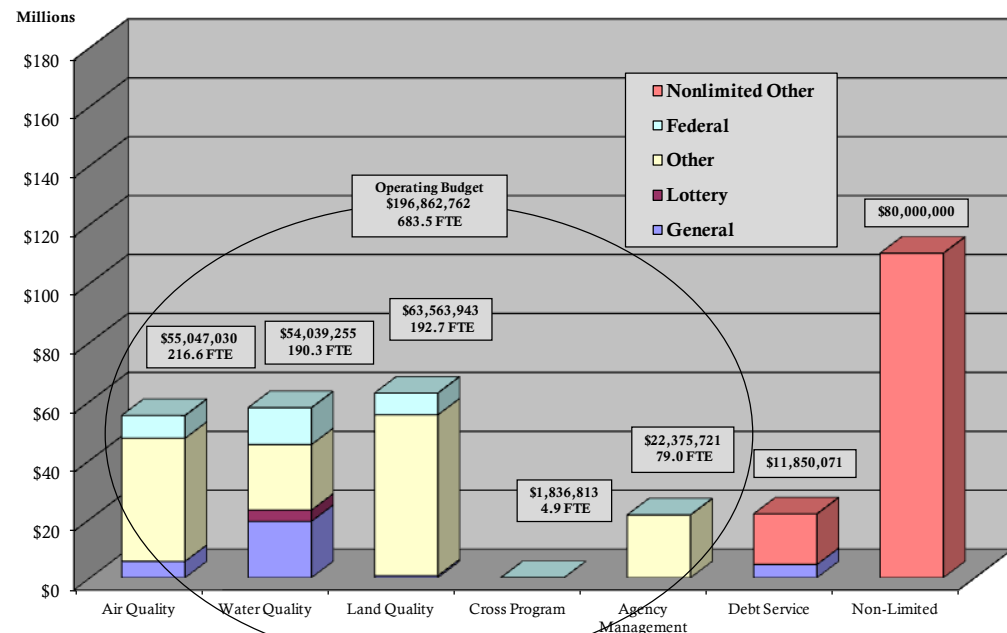
Water Quality Division

- 3.25 FTE in the On-Site program
- 7.70 FTE in Wastewater Permitting
- 3.00 FTE in TMDL program
- 0.70 FTE in Non Point Source and Operator Certification

Land Quality Division

- 4.0 FTE phasing out of the Umatilla Chemical Weapons Demilitarization activity

**Figure 2 -
2013-2015 Affordable Budget, By Program
\$288,712,833**



DEQ proposed a total of 13 Policy Option Packages for the 2013-15 biennium, of which 11 were approved with some modifications. The legislature approved legislation and other reductions, all of which is summarized in figure 3 and discussed in further detail in the program chapters of this document:

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

- 11.37 FTE
- \$1.3 million Other Fund
- \$1.5 million General Fund

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

- 11.41 FTE
- \$1.2 million General Fund
- \$1.5 million Other Fund

Expansion of current, non-operational activities:

- \$30.15 million Non-limited, for loans associated with the 2013-15 federal Clean Water State Revolving Fund capitalization grants.
- \$10 million debt service on new CWSRF bonds.

Reductions for PERS reform, other savings:

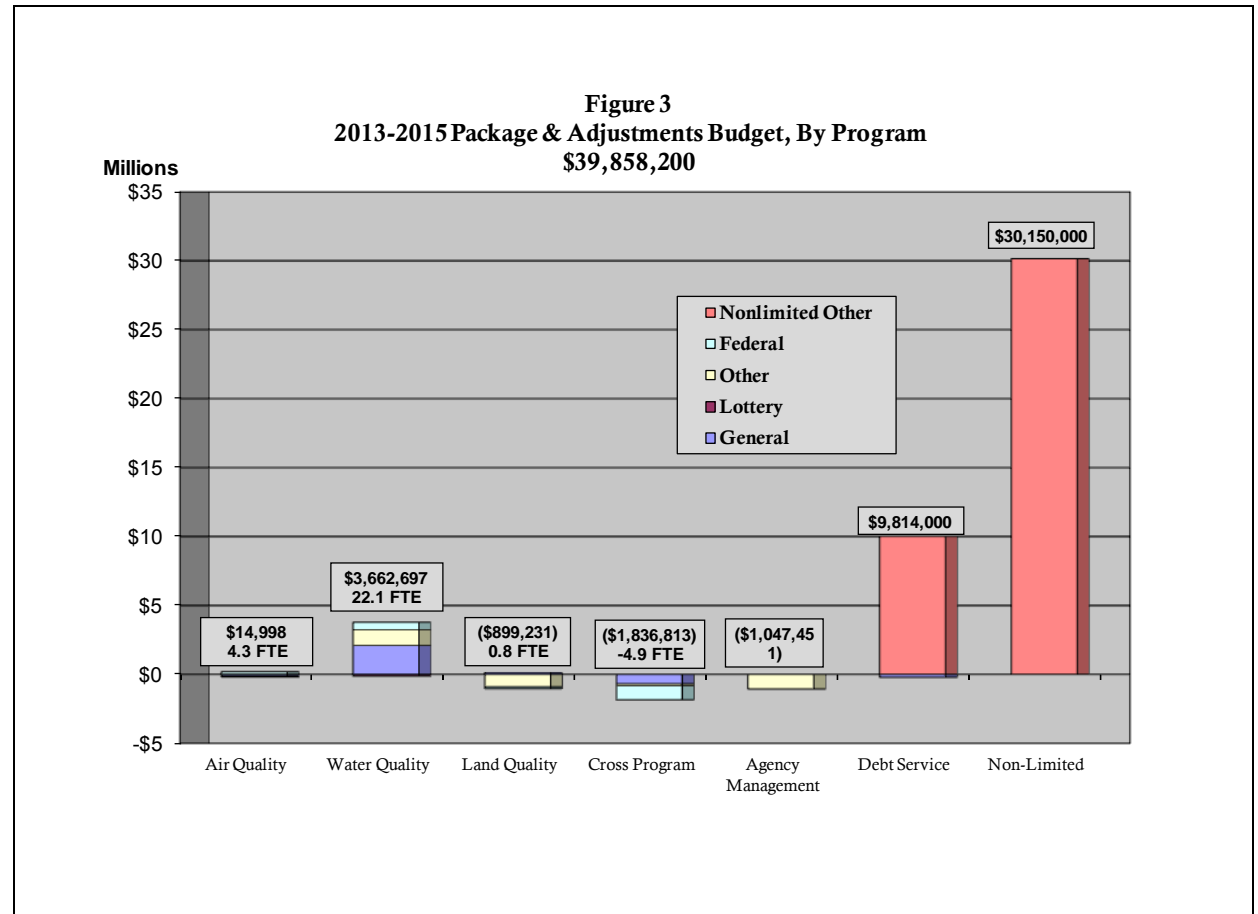
- \$3.1 million for PERS reform, all funds
- \$1.1 million for administrative savings, all funds.
- \$0.5 million General Fund holdback
- \$0.2 million General Fund debt service
- \$0.6 million other reductions, all funds

Shift Cross Program into other DEQ budget structures

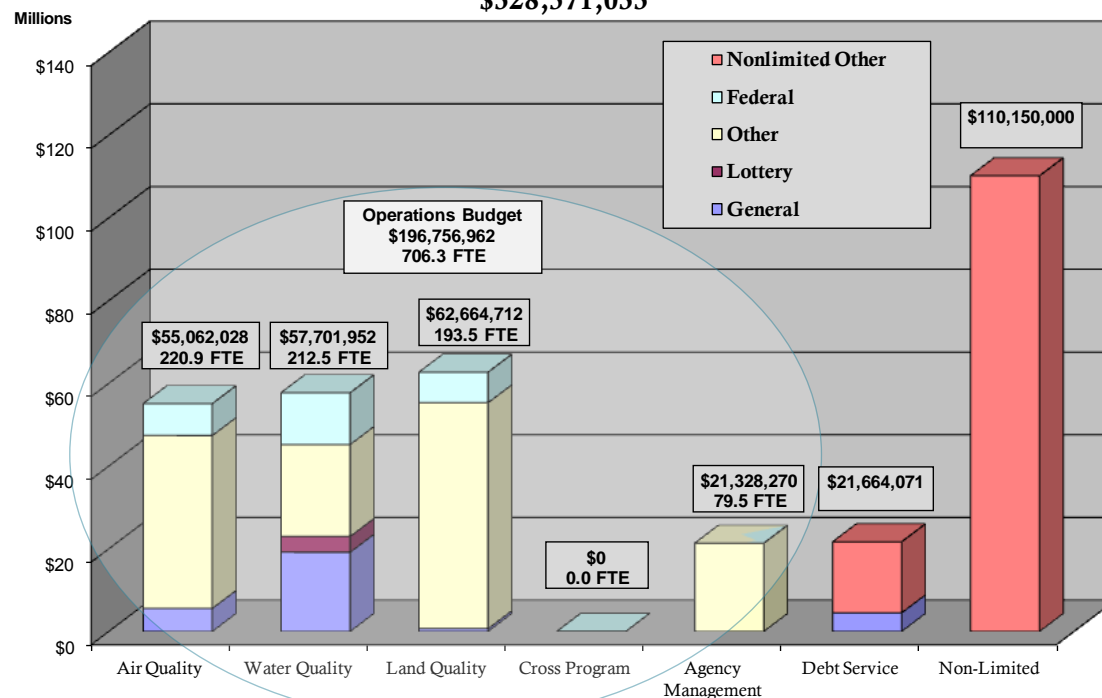
While the total policy package request seems large in the current economic environment, over 95 percent (\$40 million) of the request is for use outside of DEQ, providing additional low interest loans and support to local municipalities for the construction/upgrade of sewage treatment facilities utilizing federal funding and loan repayments without requiring additional state funding.

2013-15 Legislatively Adopted Budget

The DEQ 2013-15 Legislatively Adopted Budget is comprised of the modified current service level, or affordable budget, discussed above, plus the policy packages, effectively adding Figure 3 to Figure 2 to create:



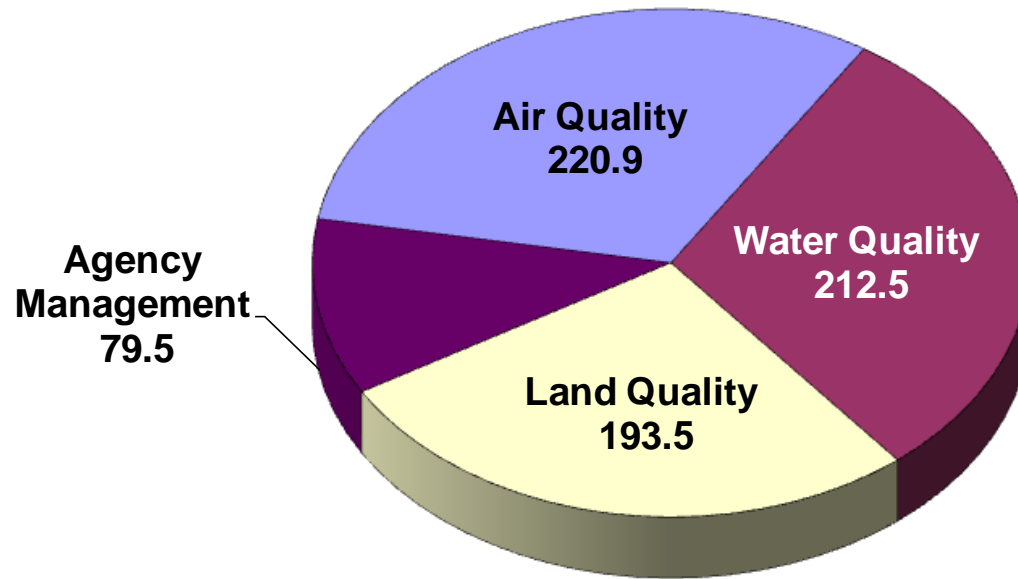
**Figure 4 -
2013-2015 Legislative Adopted Budget, By Program
\$328,571,033**



- Note that the five program areas circled make up the “Operating Budget,” authorizing 706 FTE and \$196.8 million for DEQ operations.
- For the 2013-15 biennium, approximately 40 percent (\$132 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 proportion of operational funding (60%) and non-operational funding (40%) from the 2011-13 budget.
- The Operations Budget is roughly 60 percent (\$196.8M) of total budget, comprised of
 - \$ 25.4 million General Fund
 - \$ 3.8 million Lottery Fund
 - \$ 140.0 million Other Fund
 - \$ 27.6 million Federal Fund

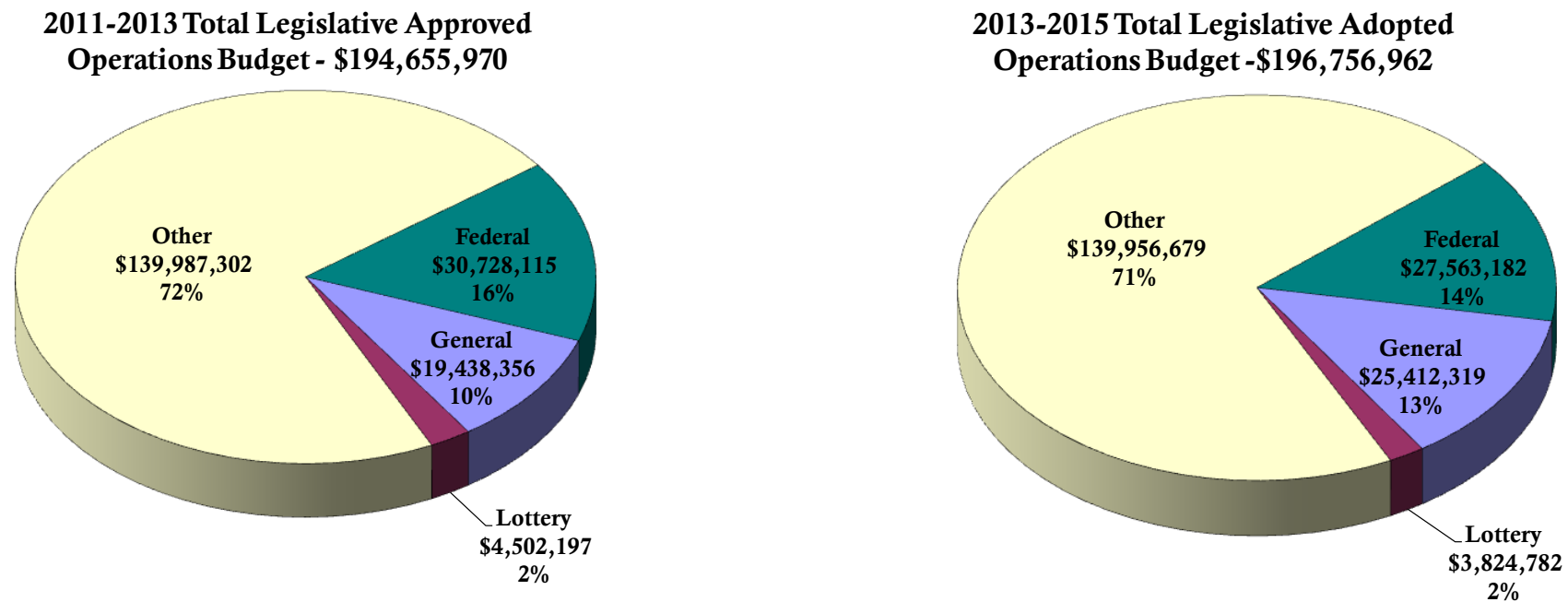
Figure 5 shows the 2013-15 Legislatively Adopted Budget FTE by program:

**Figure 5 -
2013-2015 Legislative Adopted Budget By Program
TOTAL FTE - 706.3**



Comparing the 2013-15 Legislatively Adopted Budget to the 2011-13 Legislatively Approved Budget (Figure 6), DEQ's requested operations budget has increased by \$2.1M, but still pays for 4.5 less FTE. General and Lottery Fund have increased by approximately \$5.3M (comprised of \$4.0M in increased cost of current services, \$2.4M of additional funding requested in policy packages, and a reduction of \$1.2M for PERS reform and the 2% General Fund hold back). Federal Funds budget has decreased by \$3.2M, mostly due to the end of ARRA stimulus funding in the AQ clean diesel and LQ underground storage tank cleanup activities, as well as the phase out of the Umatilla Chemical Weapons Demilitarization activity. Other Fund activities, the largest component of the DEQ operations budget at just over 70% of the total, experienced just under \$9.4M in increased costs of current services, but only about \$1.4M of those costs could be absorbed within current funding levels, the remainder was absorbed by cutting \$6.8M of current services and utilizing about \$1.2M of fee increases in policy packages in order to balance the 2013-15 Legislative Adopted Other Fund budgets.

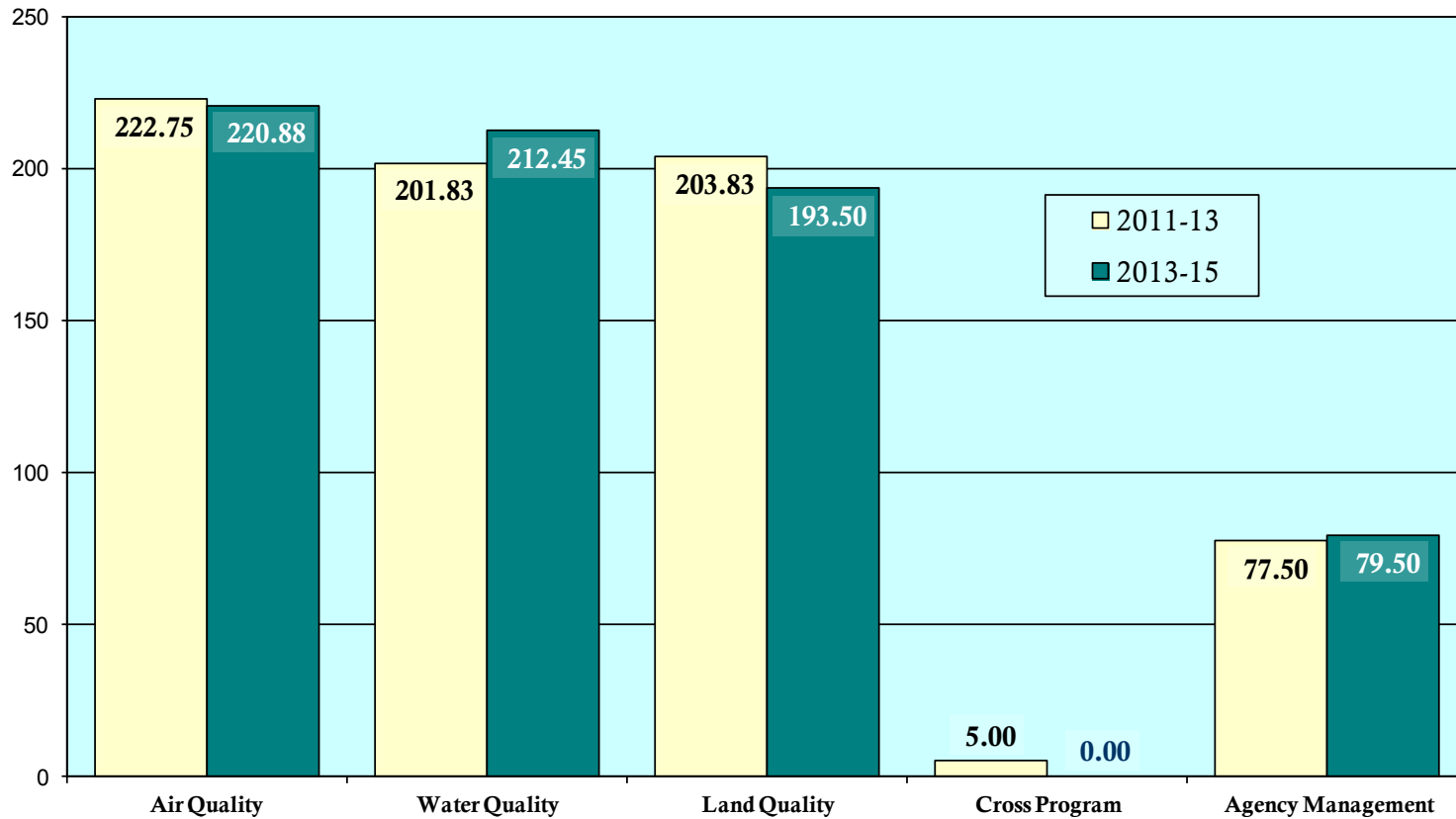
Figure 6 – Comparison of Funding Sources 2011-13 to 2013-15



In terms of FTE, Figure 7 shows that comparison of 2011-13 Legislatively Approved Budget FTE to the 2013-15 Governor's Balanced Budget, by program. The net increase in Water Quality FTE resulted from several policy option packages for new work. The Cross Program FTE was shifted into Oregon DEQ Agency Summary

other program areas during the legislative approval of the 2013-15 budget. This adjustment and a net shift of FTE from the programs as part of centralizing Information Technology help desk services resulted in a slight increase in Agency Management FTE.

Figure 7 -
2011-2013 Approved vs 2013-2015 Legislative Adopted Budget 706.33 FTE



The DEQ Legislatively Adopted Budget results in a drop of approximately 4.6 FTE from the level of budgeted staffing in 2011-13, as shown in Figure 8.

Figure 8- DEQ STAFFING OVER TIME

