

State of Oregon
Department of Environmental Quality

Memorandum

Date: April 13, 2012

To: Environmental Quality Commission

From: Dick Pedersen, Director

Subject: Agenda item D, Informational item: Budget and legislative items update
April 25-27, 2012, EQC meeting

Purpose of item The purpose of this agenda item is to provide an update to the Environmental Quality Commission on the Department of Environmental Quality's 2011-13 budget status, 2013-15 budget development process and outcomes of the February 2012 Legislative Session.

Background DEQ staff last presented an update on the DEQ budget status and key legislation at the February 2012 EQC meeting. Since that update, the Oregon Legislature has adjourned its yearly session and revised agency budgets. Also, like all state agencies, DEQ has received additional information and direction from the Governor's Office in developing its proposed 2013-15 budget.

2012 Legislative Session

The Legislative Assembly adjourned its yearly session March 5, 2012. See Attachment A for a list of priority bills and their status.

Budget reductions

The Oregon Legislature directed state agencies to reduce General and Lottery-funded budgets by 3.5 percent, which was \$863,860 for DEQ. DEQ was able to take the one-time reductions without initiating layoffs by using funds from vacant positions and a one-time reduction in rent for the DEQ lab, which was approximately \$332,000 of the total reduction.

In addition to the 3.5 percent reduction, the Oregon Legislature required DEQ to take two additional reductions:

- \$86,615: DEQ's share of a \$400,000 reduction to Natural Resource agencies' General and Lottery Fund.
- \$169,003: DEQ's share of a \$28 million reduction to state government to be taken from middle management, public affairs positions or advertising spending.

Agencies will receive further instruction from the Legislative Fiscal Office and report back to the Legislative Emergency Board in May with their options for meeting the \$28 million reduction.

DEQ plans to implement the General Fund and Lottery Fund reductions across its programs in the following ways:

Air Quality Division

- Keep an Air Contaminant Discharge Permitting position and the Air Quality toxicologist position vacant for the remainder of the biennium.
- Shift \$3 million of ending fund balances from the Vehicle Inspection Program to the state's General Fund. VIP had a fund balance that DEQ was reducing gradually based on a fee reduction and other changes in order to reach a smaller but sufficient balance for cash management purposes. This re-appropriation effectively leaves VIP with the smaller but sufficient fund balance contemplated and will not affect VIP operations.

Water Quality Division

- Maintain several vacant positions, which the programs had planned to fill, in wastewater permitting and TMDL implementation.
- Take \$169,000 out of a fully-funded but vacant position. This means that the work of this position and the span of control for the lab managers will be greater. This is the agency's share of the \$28 million reduction to state government to be taken from middle management, public affairs positions or advertising spending.

Land Quality Division

- Use \$86,615 in savings resulting from a special assignment of a Hazardous Waste Program staff person to other work for one year to meet the agency's share of the Natural Resources \$400,000 reduction target.

Other DEQ work

- DEQ will use vacancy savings from delaying filling the Tillamook Regional Solutions Team position to provide \$24,000 of savings.

2013-15 budget development process

As explained in previous meetings, Governor's Office is changing agency budgeting to reflect a 10-year timeframe that is more outcome-based. Agencies are receiving instructions on how this new 10-year budgeting process will work and how it will link with existing statutory requirements. One key difference is that budgeting of state government under the 10-year process will be organized by outcome area. These

outcome areas are intended to reflect a functional rather than programmatic view of state government and the Governor's Office will allocate funding by outcome area rather than by agency. Program Funding Teams – groups of citizens with no ties to agencies – will review funding proposals by agencies in each outcome area” and make recommendations to the Governor's Office. DEQ is linked into the Healthy Environment, Jobs and Economy, and Improving Government outcome areas.

Below are some of the key milestones in the new budgeting process:

- April 2012: Policy guidance by Outcome Area
- April 2012: Macro-allocations by Outcome Area
- June 1, 2012: First agency proposals due to Program Funding Teams
- June 2012: Program Funding Team briefings
- June 30, 2012: Program Funding Team responses due
- Aug. 31, 2012: Second agency proposals due to Program Funding Teams
- September through Oct. 15, 2012: Program Funding Team meetings
- Oct. 15, 2012: Program Funding Team recommendations to Governor

**EQC
involvement**

DEQ will present updates on the budget development process and legislative issues at each EQC meeting in 2012. The commission chair is required to review and certify DEQ's budget request in August 2012.

Attachments

A. 2012 Legislative Session priority bill tracking list

Report prepared by: Palmer Mason
Phone: 503-229-6345

**Department of Environmental Quality
 Priority Bill Tracking List - 2012 Session**

Enacted legislation

Bill #	Relating clause	Summary	Recent action	Sponsors
SB 1508	Relating to beverage containers	Allows distributors to establish a cooperative for certain purposes. Requires reporting to Oregon Liquor Control Commission of beverage container return data.	Available to be presented to Governor Kitzhaber	Sen. Atkinson / Sen. Hass
SB 1512	Relating to lighting that contains mercury	Prohibits sale of mercury lighting in excess of specified amounts. Specifies state procurement policy relating to mercury lighting.	Signed by Governor Kitzhaber March 16, 2012	Senate Environment and Natural Resources
HB 4131	Relating to ratio of state agency employees to supervisory employees	Restricts hiring and requires layoffs or reclassifications of supervisory employees for the purpose of attaining 11 to 1 ratio of nonsupervisory employees to supervisory employees.	Available to be presented to Governor Kitzhaber	Rep. Dembrow
SB 5701	State financial administration	Budget reconciliation.	Available to be presented to Governor Kitzhaber	Ways and Means
SB 5702	State financial administration	Lottery allocation.	Available to be presented to Governor Kitzhaber	Ways and Means

Failed legislation

Bill #	Relating clause	Summary	Recent action	Sponsors
HB 4080	Relating to collectors of covered electronic devices	Directs DEQ to register collectors of covered electronic devices.	Referred to House Environment, Energy and Water	House Environment, Energy and Water
HB 4081A	Relating to waste plastics	Provides that conversion of waste plastics that cannot be economically recycled to oil using pyrolysis is considered recycling.	Referred to Ways and Means Subcommittee on Natural Resources	House Environment, Energy and Water
HB 4101A	Relating to Columbia River Basin water	Directs Water Resources Dept. to pursue development of the water resources in the basin.	Referred to House Rules	Rep. McLane
HB 4112	Relating to motor vehicle pollution control	Requires EQC to prepare certain revisions to state SIP.	Public hearing held in House Environment, Energy and Water	Rep. Wingard
HB 4123	Relating to high priority chemicals of concern for children's products	Requires Oregon Health Authority to maintain a list of chemicals of concern. Requires manufacturers of certain children's products to disclose use of those chemicals.	Public hearing held in House Health Care	Rep. Keny-Guyer / Rep. Thompson
SB 1511	Relating to ecosystem services	Expands use of ecosystem services. Directs Gov's Office and Oregon Water Enhancement Board to review plans and make recommendations regarding ecosystem services. Encourages use of tools like water quality trading.	Referred to Senate Rules	Senate Environment and Natural Resources