

State of Oregon
Department of Environmental Quality

Memorandum

Date: Aug. 16, 2012

To: Environmental Quality Commission

From: Dick Pedersen, Director

Subject: Agenda item G, Informational item: Budget and legislative updates
Aug. 23-24, 2012, EQC meeting

Purpose of item This presentation includes updates on the base budget, reduction options and budget policy packages that make up the Agency Request Budget. It also includes DEQ's legislative concepts, which, if approved for drafting and pre-session filing, will become draft bills for legislative consideration.

Background This agenda item is part of an ongoing conversation with the commission on the 2013-15 legislative agenda and budget development process. The development process will continue throughout 2012 in preparation for the 2013 legislative session.

In prior commission meetings, DEQ staff discussed DEQ budget policy packages and legislative concepts for the 2013 legislative agenda at a high, summary level. Since those discussions, the agency has finalized its proposals, refined the budget numbers, passed budget submittal audits and drafted the Agency Request Budget book that DEQ will submit to DAS by Sept. 1, 2012.

Attachment A is a budget overview presentation that summarizes the proposed 2013-15 Agency Request Budget submittal.

Attachment B is the summary of legislative concepts proposed by DEQ for the 2013 session. Three of these concepts also have associated Policy Option Packages. These three packages, along with 10 other budget policy option packages are included in attachment C.

The Department of Administrative Services, which leads the budget development process for Oregon state government, requires state agencies to submit 10 percent reduction options for all fund types to fulfill the governor's need to submit a 90 percent budget to the Oregon Legislature in addition to the traditional Governor's Recommended Budget. Attachment D provides a summary of those reduction options, by fund type, in priority order.

Key upcoming deadlines in this process include:

- August 2012: The EQC chair must sign the Agency Request Budget for submittal to the Department of Administrative Services. DEQ must submit the final bid documents to the Healthy Environment and Economy and Jobs Program Funding Teams by Aug. 31, 2012.
- September 2012: DEQ must submit its Agency Request Budget to the Department of Administrative Services and the governor's office on Sept. 1, 2012. This budget submittal includes the base budget, reduction options and the budget policy packages.

Attachments

- A. DEQ 2013-15 Agency Request Budget summary
- B. DEQ 2013-15 Legislative Concepts
- C. DEQ 2013-15 Policy package summary
- D. DEQ 2013-15 Reduction options

Approved:

Division: _____

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DEQ's 2013-15 Agency Request Budget summary

Budget development overview

DEQ staff provided the commission with a high-level overview of 2013-15 budget development efforts during prior EQC meetings earlier in this year. Since the last EQC meeting, DEQ has:

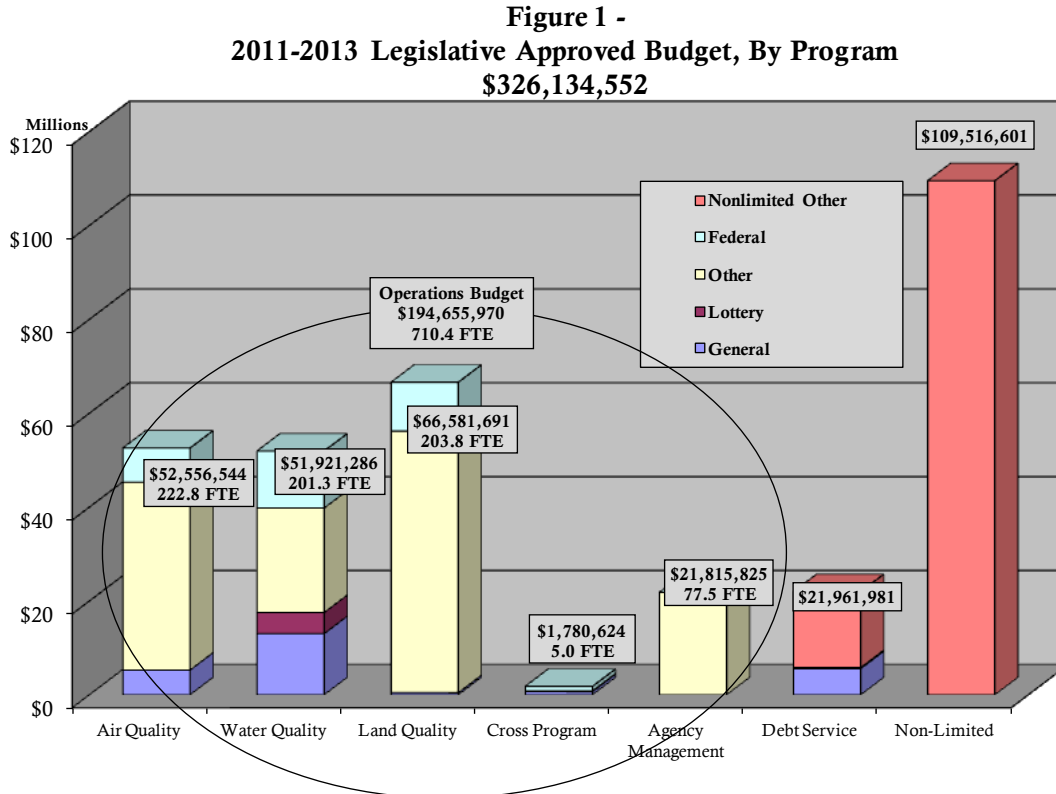
- Finalized its policy package requests for funding new activities, expanding current activities, or providing increased funding to continue the current level of services
- Adjusted the revenues and expenditures for each of the more than one hundred separate Other and Federal funds to bring costs within projected available revenues for federal funds and maintaining at least minimum fund balances required for cash management purposes in each of the other funds. Thirteen of these funds required budget reductions totaling over \$10 million in terms of positions and other activity costs.
- Prepared and prioritized reduction options representing 10 percent of each fund type to comply with the requirements of ORS 291.216 for the governor to present an alternative budget at 90 percent of the appropriations requested in the governor's budget recommendation to the Legislature
- Submitted and passed all phases of the Agency Request Budget audit with the Department of Administrative Services.

With the completion of all of these steps, DEQ is now finalizing the preparation of the official 2013-15 Agency Request Budget submittal, also known as the budget book, which includes the commission's certification of the agency's request.

The following sections provide a summary of the current biennium 2011-13 approved budget for reference, followed by the major components of DEQ's 2013-15 Agency Request Budget. More detailed information regarding Policy Option Packages, reduction options, and Legislative Concepts is provided in separate attachments.

CURRENT (2011-13) LEGISLATIVELY APPROVED BUDGET

The 2011-13 DEQ Legislative Approved Budget is summarized in Figure 1.



- Each block on this chart, program and fund type, is an appropriation account that must be managed to legislative authorization limits.
- Each program area is comprised of subprograms not shown in the chart with additional limits on the uses of funds within that subprogram.
- Note that five program areas make up the “Operations Budget,” authorizing 710 FTE and \$195 million in total funds spending.
- Debt Service is for bonds issued to fund Orphan Site Cleanups and to provide match for federal Clean Water State Revolving Fund Capitalization Grants.
- The single largest budget item is for Clean Water SRF loans, represents one-third of the total budget. This part of the budget is characterized as “non-limited” and is *not* subject to legislative limitation.

The 2011-13 Legislatively Approved Budget represents the agency’s *authorization* to spend, but it does not necessarily represent its *ability* to spend. As discussed in prior presentations to the commission, DEQ’s ability to spend is limited by the funding provided by federal grants, through fee collections, and via cost recovery and similar work for which the agency is directly reimbursed. During the current biennium, DEQ’s ability to spend and fill positions has been reduced by:

- Ongoing economic conditions that continue to adversely impact fee collections, with permit fee collections and reimbursable work down below pre-recession levels, but with steeper drops in programs linked to some of the hardest hit sectors of the economy, such as onsite, stormwater, and solid waste fees. While housing activity has started to recover within Oregon, DEQ has not yet seen a comparable uptick in onsite and stormwater, the two activities most linked to housing.
- The February 2012 legislative session took actions to rebalance the state budget, implementing \$863,000 of General Fund reductions that had been built into the 2011-13 legislatively adopted budget as a contingency if the economy didn't improve as predicted in the original revenue forecast, along with an additional \$246,000 of new General Fund reductions.
- A hiring freeze and restrictions on other expenses implemented from December 2011 through April 2012.
- Implementation of House Bill 4131, which required DEQ to address the ratio of staff to managers and develop a plan to achieve a target ratio prior to being able to fill vacant manager positions. DEQ submitted a plan to eliminate six manager positions and has now been released to fill any remaining vacant manager positions.

As a result of all of these issues, DEQ's actual level of staffing has averaged 644 FTE for the first year of the biennium.

Proposed 2013-15 Agency Request Budget

Current Service Level

The DEQ 2013-15 Agency Request Budget is prepared by applying standardized adjustments to the 2011-13 budget to create the Current Service Level budget, which is intended to portray the projected 2013-15 biennium costs of continuing permanent services from the 2011-13 budget, prior to adjusting for affordability.

Adjustment description	Increase factor
Eliminate limited duration positions from 2011-13	
Phase in new positions authorized to start during 2011-13	
Adjust salaries for 2011-13 negotiated/implemented changes	~ 3% of salary
Adjust salary steps for each position based on current incumbent's eligibility date for step increases.	~ 2% of salary
Adjust the estimated costs for benefits, PERS Flexible Benefits (Medical/Dental/Vision)	~ 5.3% of salary \$1,800 per FTE
Apply standard inflation factors on other costs:	
• Services and supplies, capital outlays, temps, and overtime	2.4%
• Professional services contracts	2.8%
• Attorney General charges	14.9%
• Rent	5.94%

Modified Current Service Level, or the Affordable Budget

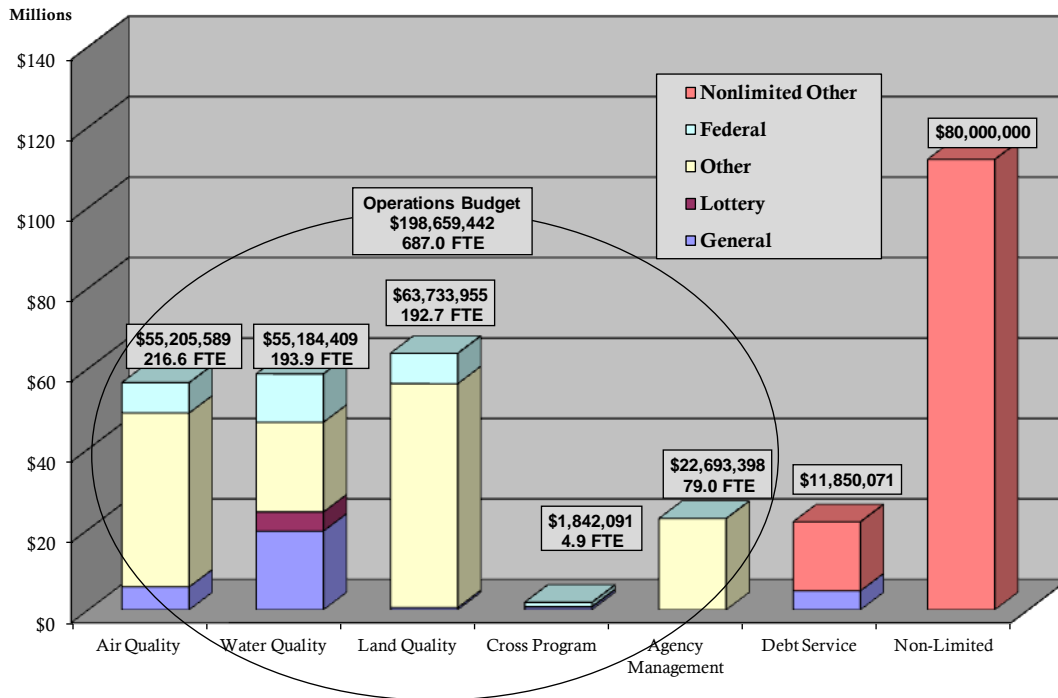
DEQ must then balance the current service level budget based on projected available Other, Federal, and Lottery revenues to create the modified current service level prior to any requested legislative actions.

Balance is achieved by:

- Cutting FTE/personal services costs and reducing associated services and supplies from the budget until the fund achieved a zero ending balance (for Federal Funds) or a desired ending balance (for Other and Lottery funds) to allow for cash management needs.
- Most of these reductions will be made permanent. DEQ has requested fee increases to allow continued funding for a small number of these positions, discussed further in the policy package section.
- Reductions needed to balance the Other and Federal Funds budgets equal to 22.32 FTE and \$10.1 million.

The result of the modified current service level budget is shown in Figure 2, the 2013-15 Affordable Budget.

**Figure 2 -
 2013-2015 Affordable Budget, By Program
 \$290,509,513**



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 actually be shrinking.

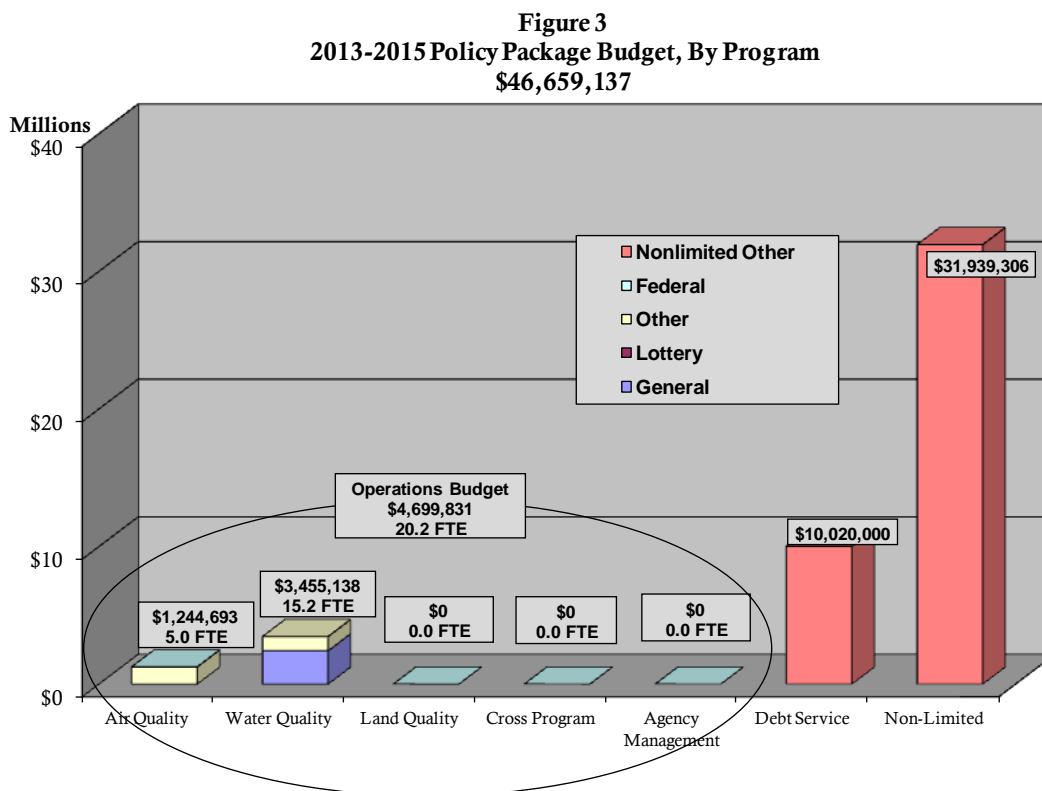
Changes by program include:

- Air Quality Division is lower due to:
 - 6.7 FTE reduction in the Air Contaminant Discharge Permitting program
- Water Quality Division is lower due to
 - Position not affordable in 2013-15:
 - 3.25 FTE in the On-Site program
 - 7.70 FTE in Wastewater Permitting
 - 0.70 FTE in Non Point Source and Operator Certification
- Land Quality Division is lower due to:
 - 4.0 FTE due to phasing out of the Umatilla Chemical Weapons Demilitarization activity

Legislative Concepts and Policy Package requests

DEQ's desired changes to requirements or language in Oregon statute are proposed via legislative concepts, which start as a conceptual request and with the help of legislative counsel are transformed into detailed changes to be proposed in legislation during the 2013 legislative session. Attachment B contains a summary of all the proposed DEQ legislative concepts, including concepts that are associated with the funding requests in policy packages 110 (Clean Fuels), 131 (Paint Product Stewardship), and 182 (Repurpose Sewer Assessment Deferral Loan Program funds). DEQ has proposed one additional concept, extending the loan finance period for Clean Water State Revolving Fund loans to allow for 30-year loans, that does not require a policy package, and has developed two derelict vessel legislative concept placeholders at the request of the governor's office.

Attachment C contains a prioritized list of the DEQ policy package requests included in the 2013-15 Agency Request Budget. In total, DEQ is requesting 13 policy packages for \$46.7 million and 20.2 FTE, as shown in Figure 3:



The packages represent three major categories:

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

- 4.87 FTE
- \$1.04 million Other Fund

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

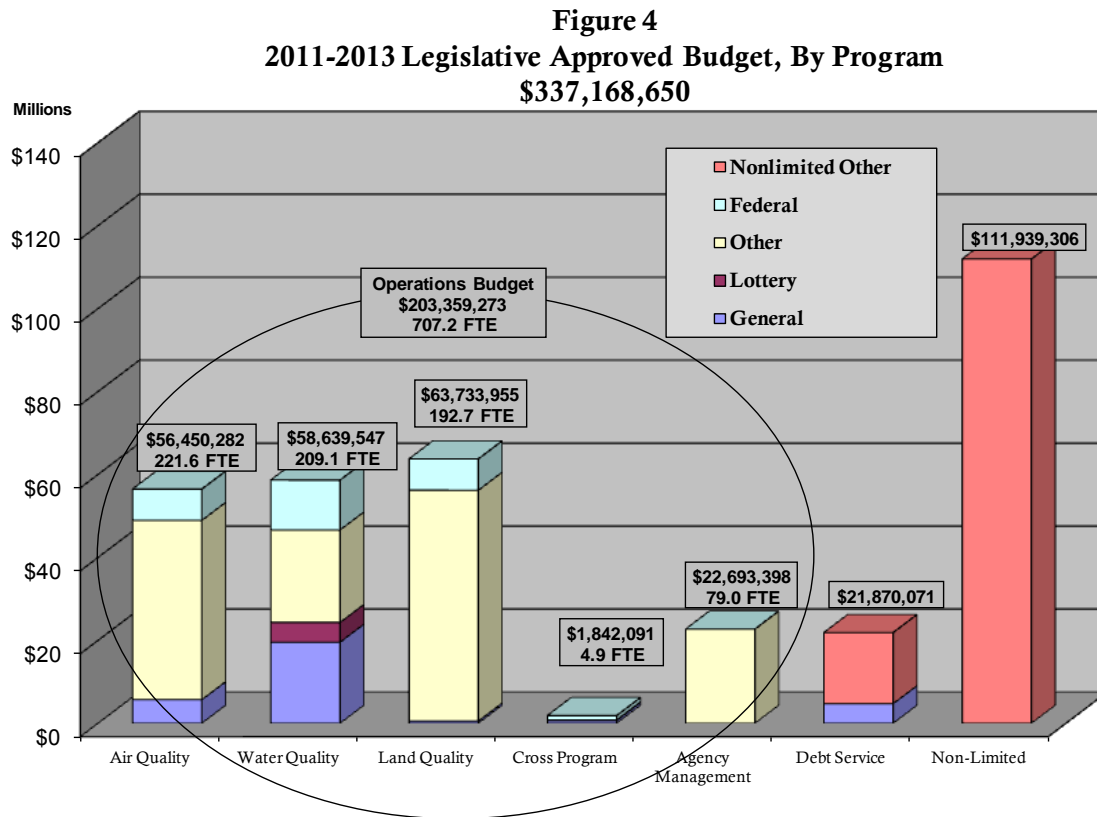
- 15.32 FTE
- \$2.4 million General Fund
- \$1.23 million Other Fund

Expansion of current, non-operational activities:

- \$1.8 million Non-limited, for grants to small communities to assist with upgrading, repair, or construction of wastewater treatment and disposal systems.
- \$30.15 million Non-limited, for loans associated with the 2013-15 federal Clean Water State Revolving Fund capitalization grants.
- \$10 million for Non-limited debt service on new CWSRF bonds.

2013-15 Agency Request Budget

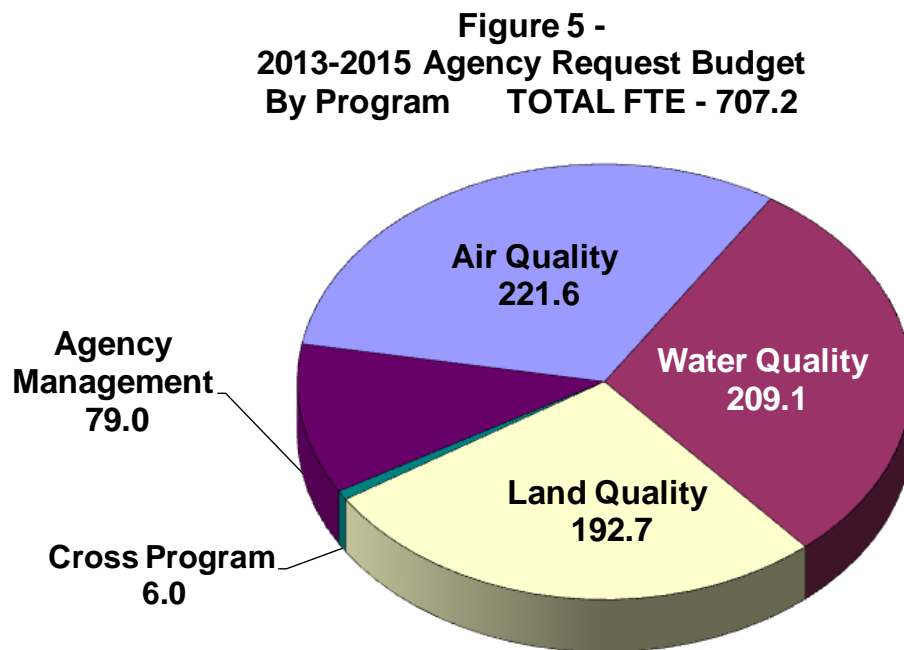
The DEQ 2013-15 Agency Request Budget is comprised of the affordable budget, discussed above, plus the policy packages, effectively adding Figure 3 to Figure 2 to create Figure 4:



- Total Agency Request Budget is \$337M, 707 FTE.
- The Operations Budget is roughly 60 percent (\$203M) of total budget, comprised of
 - \$ 26.5 million General Fund
 - \$ 4.8 million Lottery Fund
 - \$ 144 million Other Fund
 - \$ 28.1 million Federal Fund

- The single largest budget item continues to be for Clean Water State Revolving Fund loans, represents one-third (\$112 million) of the total budget.

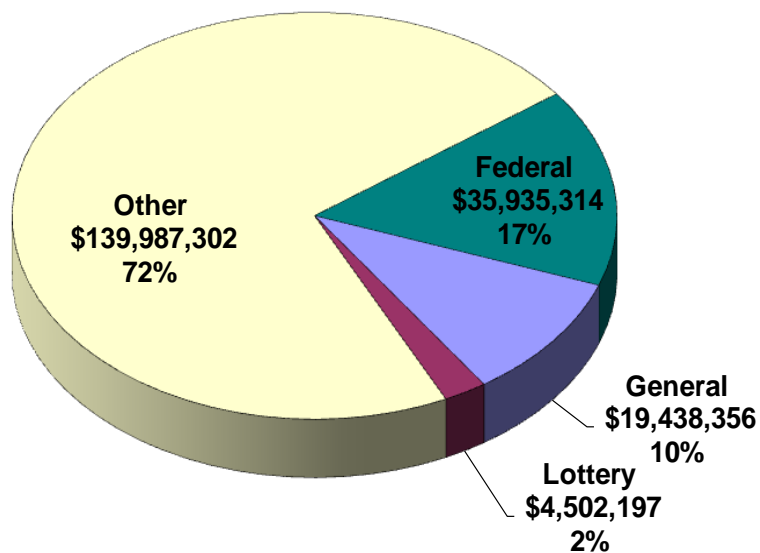
In terms of Full Time Equivalent, or FTE, position authority, Figure 5 provides a summary of the Agency Request Budget, by program area



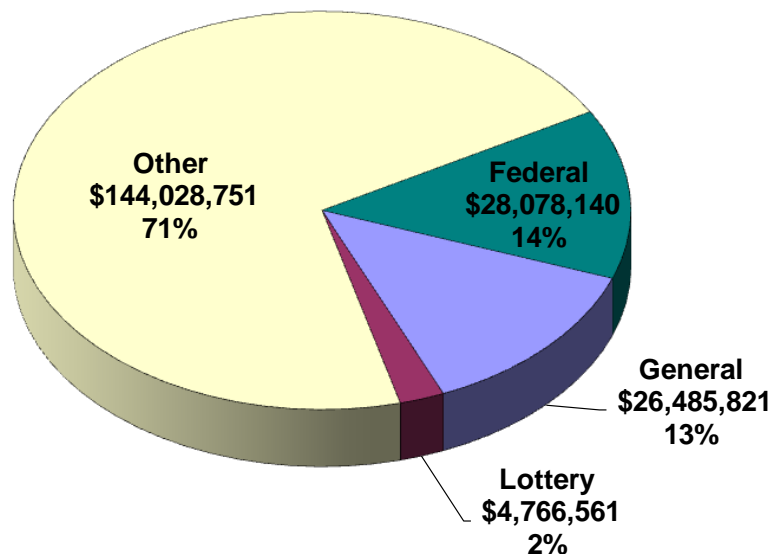
Comparing the proposed 2013-15 budget to the currently approved budget in Figure 6, DEQ's requested operations budget has increased by \$8.7 million, but still pays for three less FTE. General and Lottery Fund have increased by approximately \$6.2 million, comprised of \$3.8 million in increased cost of current services and \$2.4 million of additional funding requested in policy packages. The Federal Funds budget has decreased by \$7.9 million, mostly due to the end of ARRA stimulus funding in the Air Quality Division clean diesel and Land Quality Division 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 percent of the total, experienced just under \$11 million in increased costs of current services, but only about \$3 million of those costs could be absorbed within current funding levels. The remainder was absorbed by cutting \$6.7 million of current services and requesting about \$1 million of fee increases in order to balance the 2013-15 Agency Request Other Fund budgets.

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

**2011-2013 Total Legislative Approved
Operations Budget
(Excludes Non-Limited and Debt Service) - \$194,655,970**



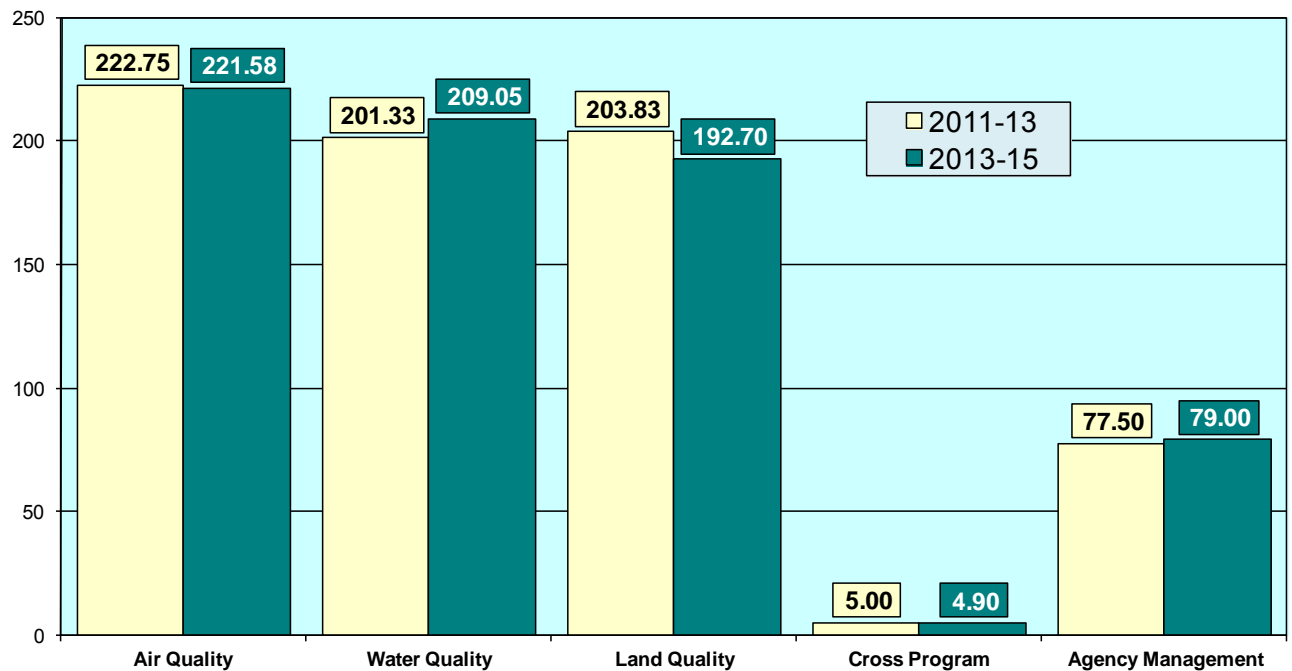
**2013-2015 Total Agency Request
Operations Budget
(Excludes Non-Limited and Debt Service) - \$203,359,273**



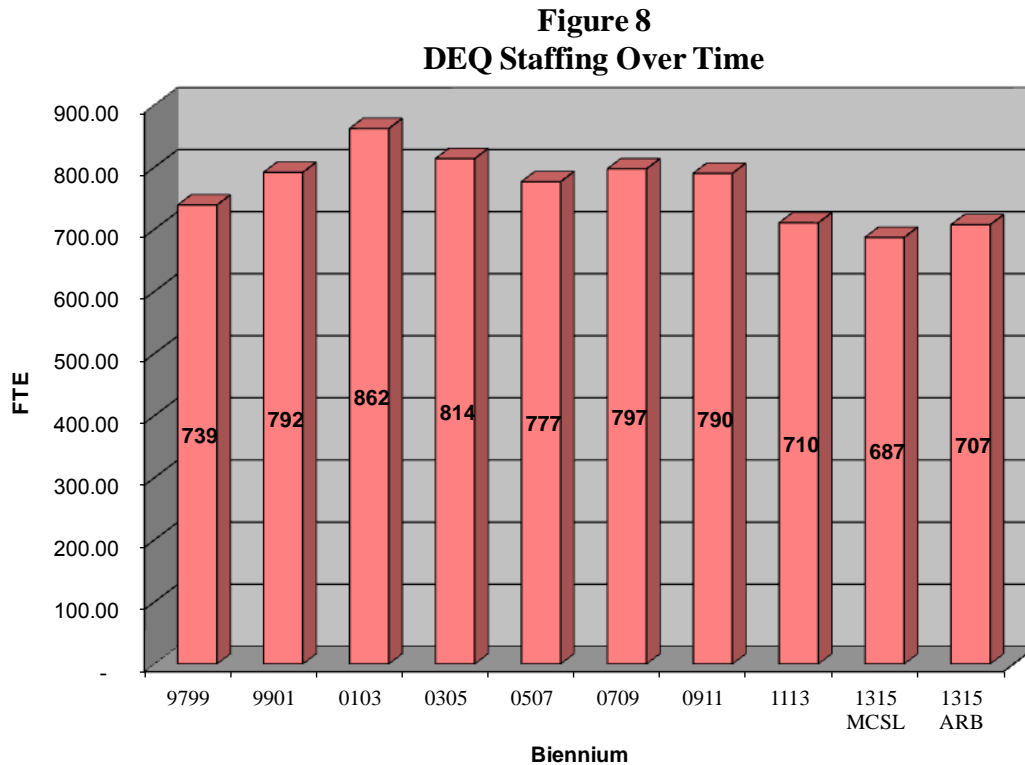
In terms of FTE, Figure 7 shows that comparison of 2011-13 Legislatively Approved Budget FTE to the 2013-15 Agency Requested Budget, by program. The proposed net increase in

Water Quality Division FTE will require passage several policy option packages. The slight increase in Agency Management was due to a net shift of FTE from the programs as part of centralizing Information Technology help desk services into Agency Management.

**Figure 7 -
2011-2013 Approved vs 2013-2015 Legislative Approved Budget 707.23 FTE**



The DEQ Agency Request Budget results in a drop of approximately three FTE from the level of budgeted staffing in 2011-13, presuming that all of the requested policy packages are approved by the Governor and the legislature, as shown in Figure 8. The 2013-15 Modified Current Service Level column indicates that FTE would drop by 23 from current levels if no policy packages were to be approved.



Biennium 2001-03 through 2005-07 FTE included limited duration vehicle inspectors for enhanced testing, which has since been discontinued.

Gaining final approval of the 707 FTE in the Agency Request Budget will be challenging, with policy packages for 20.2 FTE requested on new funding sources, fee increases or General Fund, all of which are challenging in the current economic environment.

Reduction options

As part of developing its Agency Request Budget, statute requires DEQ to develop options to reduce each major funding type in the 2013-15 budget by 10 percent of the modified current service level, or affordable, budget.

While these reduction options are traditional requirements in every budget proposal, the 10 percent reduction options for Other and Federal Funds have never been implemented for DEQ in the past. The DEQ experience with the 10 percent reduction options for General and Lottery Funds has been quite different, with additional reduction options commonly being requested by the Legislature, and at least some of the reductions typically implemented during the budget development cycle.

All of the DEQ reduction options are documented in Attachment D. The General and Lottery fund options represent \$3.4 million and 14.6 FTE in potential reductions to DEQ work. DEQ is prepared to address the expected request from the Legislature for additional reduction options, having prioritized an additional 10 percent of General and Lottery fund work, should the need arise.

Next steps

In parallel to the development of the statutorily required budget submittal on Sept. 1, 2012, Governor Kitzhaber implemented a new, 10-year budgeting process and plan that will ultimately lead to a formal 10-year budget plan, to help focus resources to six specific policy outcome areas: Education, Healthy People, Economy and Jobs, Healthy Environment, Safety and Improving Government.

A key feature of the 10-year budgeting process is the development and implementation of a 10-year, outcome-based budget to help ensure that the state's investments produce desired results. For the 2013-15 Governor's Recommended Budget, Governor Kitzhaber will use program funding teams comprised of citizen volunteers the governor selected for their leadership, experience and familiarity with Oregon, as advisors in the budgeting process.

DEQ has already submitted the first round of required budget information to the Healthy Environment and Economy and Jobs program funding teams, as well as responding to requests for follow up and supplemental information from both of the teams. DEQ will submit its final proposals to the program funding teams Aug. 31, 2012, in parallel with its official submittal of the 2013-15 Agency Request Budget.

The program funding teams will provide recommendations to the governor's office who will work with the DAS Budget and Management Program to develop a 2013-15 Governor's Recommended Budget in November 2012. In the past, there has been an interim step in the official budget development cycle during which the agencies' budget and management analysts would provide recommendations to Governor Kitzhaber's office and the agencies were given an opportunity to appeal those recommendations, typically in late October to early November. The process this biennium has not been clearly specified in terms of agencies

appealing or DAS Budget and Management processing of recommendations from the program funding teams.

Once Governor Kitzhaber has made the major decisions regarding a budget recommendation to the Legislature, DEQ staff will work to implement the details in the state budget development systems and to produce an updated budget book, all of which must be completed prior to the start of the 2013 regular legislative session.

The Oregon Legislature will then take up the Governor's Recommend Budget and act on the recommendation during the 2013 session, typically completed in June towards the end of the session, based on revenue estimates provided by the Oregon state economist in May 2013.

DEQ staff will continue to update the commission at future meetings as the budget development process progresses. DEQ also plans to conduct informational stakeholder communications and meetings as needed during the remainder of the budget development cycle.

DEQ Pkg #	Leg Concept Number	Agency/ Program Number	Title	Description
110	548	34000/001	Modify Clean Fuels Standard Statute	The proposed concept would lift the Dec. 31, 2015 sunset of the low carbon fuel standard by repealing Section 8 of HB 2186 (2009). It would also authorize the Environmental Quality Commission to assess fees on parties regulated by the clean fuels standards in an amount sufficient to fund implementation of the Clean Fuels Program.
	549	34000/002	Extended Loan Financing for the Clean Water State Revolving Fund (CWSRF)	Authorizes EQC to allow 30-year loan repayment terms for CWSRF loans. Existing statute limits the loan term to 20 years. A longer loan term would provide more affordable repayment terms to communities obtaining loans through DEQ's CWSRF loan program
182	550	34000/003	Repurposing the Sewer Assessment Deferral Loan Program (SADLP) Fund	Changes the purpose of SADLP and the eligible use of loan funds. SADLP was established in 1987 to allow DEQ to lend bond proceeds to local governments to pay for sewer hook-ups for low-income homeowners. The last loan disbursement was made in 2000 and the final loan repayment was made in 2008. The fund currently contains approximately \$1.7 million. DEQ is not aware of existing demand for the allowable uses. The LC would allow DEQ to provide grants for construction, upgrading or repair of wastewater treatment and disposal systems to small communities having a median household income equal to or less than the median household income for the State of Oregon.
131	574	34000/004	Paint Product Stewardship	Extends indefinitely the pilot paint product stewardship program established by HB 3027 (2009) by removing the 2014 sunset date. Makes improvements to the nation's first statewide program for managing leftover architectural paint as recommended in DEQ's 2011 report to the Legislature, including: providing a collection convenience standard to ensure that all Oregonians have reasonable access to paint collection; increasing administrative fees to fully cover DEQ's costs; adding aerosol paint to covered products; strengthening education and outreach requirements; establishing accountability measures and clarifying reporting requirements.

DEQ Pkg #	Leg Concept Number	Agency/ Program Number	Title	Description
		340000/---*	Derelict Vessel Spill Prevention	Improves prevention of releases from aging derelict vessels like the Davy Crockett, the Liberty Ship that released 30,000 gallons of oil into the Columbia River. Implements recommendations of the inter-governmental Derelict Vessel Task Force formed after that incident: (1) Changes the definition of a "Threatened Spill or Release" to include ships which are in danger of sinking, thus requiring ship owners to remove pollution and prevent a spill and (2) Clarifies DEQ's authority to intervene in such situations by adding ships to the places DEQ may investigate, adding hazardous materials to the threatened spills DEQ may investigate, and making the scope of DEQ access authority consistent with the statutory definition of "threatened spill or release".
		340000/---*	Derelict Vessel and Shipbreaking Statute	Revises the state's shipbreaking statute to improve the ability to prevent releases from aging derelict vessels and to provide clarity on shipbreaking activities. Implements recommendations of the inter-governmental Derelict Vessel Task Force formed after that incident: (1) Prohibits all deconstruction of ships, regardless of size, in waters of the State; (2) Provides a specific penalty (Class 1) for violation of this prohibition; (3) Provides an exception for extreme circumstances where the lack of structural integrity prevents removal from the water, for shipbreaking to occur after consultation with a multi-agency group including DEQ; (4) Clarifies where shipbreaking activities may occur for vessels of all sizes.

* Governor's Office requested proposals after the submittal deadline, so no number yet assigned.

1315 DEQ Policy Option Packages

Pkg No.	Agency rank	Agency	Program*	POP Title/description	GF	LF	OF	FF	TF	Pos	FTE	Comments
320	1	DEQ	002 Water Quality	Pesticide Stewardship Partnership (PSP) Program	750,000		99,318		849,318	5	4.00	Joint POP with ODA's Pkg 320. Together, these POPs establish a stable source of funding for the PSP program and enable its expansion to a statewide program. DEQ's positions include staff to organize the program, work with the ODA and stakeholders on implementation of PSPs and pesticide collection events, facilitate the monitoring activities and schedules, assist with stewardship activities, and evaluate, interpret and communicate pesticide monitoring data. The Other Funds would come to DEQ via a revenue transfer in ODA's Pkg 320.
110	2	DEQ	001 Air Quality	Implement Phase One of OR Clean Fuels Program		-	430,919	-	430,919	2	1.31	Policy package provides limited duration staffing (1.5 FTE beginning 10/1/13) and contract funding for the initial two year reporting phase of the clean fuel standard authorized by the 2009 Legislature. Funding for the package contingent on passage of fee authorization legislative concept - LC 548. Fees would be assessed on regulated parties including fuel distributors and biofuel producers (approximately 70).
124	3	DEQ	002 Water Quality	Water Quality 401 Project Certification			546,058		546,058	3	2.50	Fee increase and restoration package. Revises fee table as directed by HB 2185 (2009). Adds three positions to address the increased complexity of dredge and fill project applications submitted for certification, greater complexity of water quality regulations, and increased requests for technical assistance, pre-application meetings and site visits.
120	4	DEQ	002 Water Quality	Onsite Septic System Program			311,962		311,962	2	2.00	Fee increase and restoration package. Increases the license fees for installers and pumpers, increases the county surcharge fee and eliminates the surcharge exemption for licenses. Establishes a position to implement time of transfer inspection program. Restores a position that provides information and assistance to the public, precluding the need to centralize program administration in one office and eliminate face-to-face application assistance in various locations throughout the state.
111	5	DEQ	001 Air Quality	Maintain an Effective ACDP Program			813,774		813,774	3	3.67	Policy package restores 3.67 of 6.67 FTE that are not affordable at current ACDP fee levels. The restorations are based on a fee increase of approximately 20%. The positions perform permitting, inspections, source testing and planning and are needed to maintain an effective and timely program. Permitting process improvements will enable the reduced number of FTE. The last fee change was a 20% increase in 2007.
126	6	DEQ	002 Water Quality	Operator Certification Program			71,288		71,288	0	0.20	Fee increase and restoration package. Revises fee table in order to maintain an adequate level of funding and staffing for the program and pay for program's portion of updated online licensing software.
131	7	DEQ	003 Land Quality	Paint Product Stewardship					-	0	0.00	Revenue package only; no limitation or FTE. Legislative concept makes pilot program permanent and sets both plan submittal and annual fees at \$15,000, \$5,000 more than the pilot. Expect to collect one plan submittal and one annual fee during 13-15, for a total of \$30,000.

1315 DEQ Policy Option Packages

Pkg No.	Agency rank	Agency	Program*	POP Title/description	GF	LF	OF	FF	TF	Pos	FTE	Comments
182	8	DEQ	002 Water Quality	Small Community Clean Water Grant Program			1,789,306		1,789,306	0	0	DEQ has submitted an LC (LC 549) that proposes to repurpose the SADLP fund in order to provide grants to small communities for upgrading, construction or repair of wastewater treatment and disposal systems. Funding for wastewater treatment grants and loans has traditionally resided in the non-limited portion of DEQ's budget, and DEQ proposes to have the entire fund spent in 2013-15, with expenditures shown as Non-limited Other Funds as Special Payments. Since this is a non-limited expenditure, a specific amount of limitation is not required to be addressed in the enabling legislation, but DEQ will show the expenditures in its non-limited budget, if approved.
181	9	DEQ	008 Non Limited	Clean Water SRF Capitalization Grant Loans			30,150,000		30,150,000	0	0.00	Authorization to make loans for \$30M of new CWSRF Capitalization Grants. Includes \$150K for issuance costs of two \$5M bonds. Tied in with Pkg 191
191	9	DEQ	009 Debt Service	Clean Water SRF Bond Debt Service			10,020,000		10,020,000	0	0.00	Debt service for two new \$5M bonds for state match on CWSRF capitalization grants requested in Package 181
127	10	DEQ	002 Water Quality	IWRS: Implementation of Integrated Water Resources Strategy	475,620				475,620	3	2.25	Accelerate achievement of environmental outcomes by collaborating cross-agency on development and implementation of salmon recovery plans and water quality improvement plans (e.g., TMDLs, AgWQMPs) and an integrated monitoring strategy. Strategically align efforts with state agencies and other partners to leverage resources and implement projects that achieve multiple goals. Support local integrated water resource planning efforts by providing technical assistance and water quality information. Three permanent, full-time positions are phased in.
128	11	DEQ	002 Water Quality	IWRS: Statewide Groundwater Monitoring Program	962,044				962,044	3	3.00	Implement an ongoing statewide GW quality monitoring program to assess status and trends and identify vulnerable areas and populations at risk from GW contamination. Conduct 2 assessments per year, with entire state being assessed every 10 years. \$325K of this is Capital outlay for first biennium only.
122	12		002 Water Quality	Oregon Plan Monitoring	238,851				238,851	2	1.25	Provides staffing to restart DEQ's collection of water quality and biological data for assessing watershed health conditions in areas with ESA-listed fish. Monitoring would be coordinated with other agencies to fill data gaps and to better understand the efficacy of restoration activities. Two permanent, full-time positions are phased in.

DEQ 2013-15 reduction options

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Water Quality (002) Eastern Region TMDL implementation	Reduces capacity in Eastern Region 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.	GF -\$209,382	GR1 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Land Quality (003) Hazardous waste compliance program	Reduces revenue to cover services and supplies. Impact will be felt in 15-17, when fund balances are depleted. Estimate an additional .25 FTE reduction at that time.	GF -\$72,305	GR2 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Air Quality (001) Lane Regional Air Protection Agency	Reduces the General Fund support for Lane Regional Air Protection Agency in proportion to the DEQ Air Quality General Fund reduction proposal. The cut will mean further reduction in overall services that LRAPA provides for Lane County residents and businesses.	GF -\$32,483	GR3 Combination of factors: Least harm to environmental protection; maintains strategic priorities; Least harm to service delivery.
Water Quality (002) Groundwater - Groundwater Management Areas (GWMA)	Eliminates DEQ monitoring, coordination and implementation of all GWMA's statewide (Lower Umatilla Basin, Northern Malheur County, Southern Willamette Basin) and technical assistance to communities and watershed councils engaged in GW pollution prevention. Reduces ability to do GW quality monitoring in lab. Eliminates statewide groundwater program coordinator and policy development position.	GF -\$549,147	GR4 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Water Quality (002) Western Region WQ permit coordination	Reduces administrative support for major/minor permits and graywater permits, including public notice, permit assignment, permit formatting, etc. Would decrease timeliness of permit issuance.	GF -\$77,418	GR5 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Air Quality (001) Air quality permits - ACDP	ACDP program is currently 90 percent fee funded. This cut would eliminate half of the remaining GF in ACDP and would reduce permitting, inspections and technical assistance to smaller permit holders.	GF -\$311,169	GR6 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Air Quality (001) Air Toxics Monitoring	Eliminate the last state-funded air toxics monitor that is currently located in Medford but could be moved when sufficient data has been gathered. This cut would eliminate DEQ's ability to monitor and identify local air toxics problems in other parts of Oregon where we have no air toxics data.	GF -\$265,210	GR7 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Water Quality (002) Western Region nonpoint source basin coordination	Eliminates one of three positions doing TMDL development and implementation in Western Region coastal basins and ensuring DEQ compliance with Coastal Zone Management Act requirements. Reduces technical assistance to communities, watershed councils, local governments, state and federal agencies and other entities implementing pollution controls and conducting watershed restoration activities. Also eliminates ability to do effectiveness monitoring and data evaluation to ensure effective deployment of water quality improvement resources.	GF -\$195,193	GR8 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Air Quality (001) Air Quality Planning	Eliminate the General Fund portion of one Air Quality planning position. Work within the section would be reprioritized and redistributed but would result in delays in the initial clean air plan for Lakeview and a maintenance plan for Klamath Falls. Both communities violate federal health standards for fine particulate, which negatively impacts public health and economic development. The cut would also delay air toxics reduction efforts.	GF -\$76,462	GR9 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Air Quality (001) Air Quality regional planning and local government coordination	Eliminate part of an Air Quality regional planning/coordination position in Portland. This cut would reduce clean air plan implementation efforts and coordination with local governments on transportation, land use and air quality related activities in the Portland area.	GF -\$81,708	GR10 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Water Quality (002) WQ Standards and assessment	Would delay work on development of new standards and reduce support for variances and other work related to the implementation of new toxics standards.	GF -\$192,872	GR11 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Water Quality (002) Groundwater - Lab Analytical	Eliminates the last remaining laboratory analytical position funded to do groundwater quality analyses.	GF -\$195,882	GR12 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Water Quality (002) Northwest Region stormwater engineer	Would delay issuance of stormwater permits, reduce DEQ's ability to meet inspection goal commitments and the agency's ability to provide technical assistance to permittees. Would also reduce technical support for program/policy implementation and development.	GF -\$284,885	GR13 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Water Quality (002) HQ 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 -\$234,410	GR14 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Water Quality (002) TMDL Monitoring	DEQ's laboratory would no longer be able to provide logistical planning, data quality documentation, sample collection and data management for priority TMDL development areas in 2012. DEQ will have less data for assessing pollution sources, TMDL development and water quality management planning. There will be less data to assess compliance with water quality standards (303(d)), for TMDL development and management planning and for identifying water quality issues in the Water Quality Report (305(b)) and Basin Assessments.	LF - \$272,385	LR1 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Water Quality (002) TMDL development in the Willamette Basin	<p>This option would reduce TMDL development for mercury in the Willamette Basin and would reduce DEQ's participation in toxics reduction activities in the Columbia Basin. Activities include:</p> <ul style="list-style-type: none"> • Participation in the Columbia River Toxics Reduction Strategy through USEPA's National Strategic Plan and the Toxics Reduction Work group. • Participation in the Columbia River Channel Deepening Project as an Adaptive Management Team member. • Coordination with other state, federal and tribal partners on Total Dissolved Gas waiver requests and TDG and temperature TMDLs for the Columbia Basin. • Development of the Willamette Mercury Phase 2 TMDL • Participation in agency toxic reduction efforts. 	LF - \$271,278	<p>LR2</p> <p>Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.</p>

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Cross Program (004) - Pollution Prevention Grant	Eliminates competitive grant program providing funding for projects that target pollution prevention.	FF - \$303,656	FR01 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Land Quality (003) - Environmental Cleanup. Eliminate funding from Defense-State Memorandum of Agreement	Eliminate funding supporting DEQ's involvement in the investigation and cleanup of federal facilities, including facilities currently or formerly operated by the Department of Defense and Army Corps of Engineers, some of which the federal government intends to sell or convey to local governments, tribal governments or private use. DEQ's role is to provide technical assistance to the Army Corps of Engineers and US Department of Defense to ensure state cleanup requirements and local community input is considered when addressing environmental conditions at approximately 12 sites. Eliminates .55 FTE.	FF - \$145,064	FR02 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Land Quality (003) – Environmental Cleanup and Underground Tanks. Reduce EPA funding for assessment of brownfield sites	Eliminate funds spent to assess contamination at “brownfield” sites, where contamination impedes re-use. Reduces professional services limitation.	FF - \$394,015	FR03 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Land Quality (003) - Environmental Cleanup. Reduce EPA funding supporting the cleanup program's infrastructure, ongoing policy development and site-specific work.	Eliminate about 7 percent of EPA state response grant funding, which pays for brownfield redevelopment community education and outreach efforts; and assessments and limited cleanup of brownfield sites; health, safety and other training for state cleanup staff; development of cleanup policy and guidance.	FF - \$127,500	FR04 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Land Quality (003) – Leaking Underground Tank Cleanup. Eliminate supplemental funding from EPA for cleanup of tank sites	Eliminate supplemental EPA grant funding that pays for cleanup of leaking underground storage tank sites where owners are unable to perform cleanup. Reduces services and supplies limitation, primarily professional services.	FF - \$119,921	FR05 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Air Quality (001) – Reduce federal diesel emission reduction grants	Reduce federal grant limitation for clean diesel projects. Diesel exhaust is one of the most potent air toxics to which Oregonians are exposed. It is a complex mixture of gases and particles that lead to elevated risk for cardiovascular and respiratory diseases including cancer, asthma and bronchitis. DEQ provides school districts and diesel fleet owners with innovative technical and federal grant assistance to upgrade engines with advanced exhaust controls.	FF - \$753,513	FR06 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Water Quality (002) – Reduce federal Clean Water Act Section 319 grants.	Reduction in grants used for watershed restoration activities to improve water quality; currently granting about \$2.5 million per biennium. No position or FTE impact.	FF - \$1,199,464	FR07 <i>This would eliminate half of the grants and would likely jeopardize grant funding from EPA.</i> Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Cross Program (005) – Tax Credits	Cuts 10 percent of budget for ongoing management of pollution control tax credits, potentially slows review/updates to previously issued credits, which mostly have to do with postponing or eliminating credits for changing conditions.	OF - \$15,324 Tax Credit Filing Fees	HR01 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Land Quality (003) - Environmental Cleanup. Reduce professional services limitation for certain types of cleanup	In some circumstances, parties responsible for an environmental cleanup deposit funds with DEQ and contracts for cleanup on their behalf. This typically happens when multiple parties are responsible for contamination. In some cases, DEQ might be able to renegotiate agreements such that payments are made independent of DEQ's budget. This would reduce limitation for professional services for this purpose. If agreements cannot be renegotiated, work would have to be slowed down to remain within the reduced budget limitation.	OF - \$3,500,000 Sourced from advance deposits of cost recoveries from responsible parties	HR02 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Land Quality (003) - Electronic Waste – statewide program	Reduce goal for amount of waste to be collected by statewide e-waste recycling program; citizens would need to rely on manufacturer plans (recycling programs run by groups of manufacturers) to pick up the difference. Reduces professional services limitation by 14 percent.	OF - \$410,000 Electronic Waste Recycling Assessment	HR03 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Air Quality (001) - Vehicle Inspection Program	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 - \$4,332,731 Vehicle Inspection Fee	HR04 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.
Land Quality (003) - Drug lab cleanups	Reduce spending to clean up illegal drug lab by about 50 percent. Reduces contract limitation.	OF - \$46,500 Asset forfeitures and drug lab cost recoveries	HR05 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Land Quality (003) - Heating Oil Tank Program	Eliminate all DEQ oversight and auditing of work performed by private contractors during the removal of heating oil tanks from service and cleanup of heating oil tank releases. Without DEQ oversight, work performed may not meet health based environmental standards thereby endangering human health and the environment, especially groundwater. Additionally, homeowners and home sales would be adversely affected due to not having approval from the Department of corrective actions undertaken by the homeowner as required by ORS 466.858(2)(c). Would retain program to license those performing removal and cleanup work. Reduces approximately 3.2 FTE.	OF - \$560,000 Heating Oil Tank Filing Fees	HR06 Combination of factors: Least harm to environmental protection; maintains 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 9 FTE would be reduced.	OF - \$2,121,320 Onsite permit fees	HR07 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Agency Management (004) – Support Services	<p>Reductions would be gradually implemented as reductions in indirect revenue accrue from adopting reduction options (all fund types) in program areas.</p> <p>The reduction would reduce \$200,000 of capital purchases, \$335,000 (one half of budgeted) contract limitation and reduce 9 FTE, with the following impacts on support services provided to other sections of DEQ:</p> <ul style="list-style-type: none"> -Human resources cut would reduce services to staff and managers, increase the risk of noncompliance with HR rules and processes and reduce support for the division administrator. -Business systems development cuts would reduce the agency's ability to develop new systems and keep current systems updated. -Information technology cuts would reduce help desk support that keeps desktop computer systems working efficiently, slow progress on improving the agency's server technology and capacity and reduce support for email services. -Financial Services cuts would reduce accounting support beyond organizational savings already implemented. Could reduce response to audit issues; increase likelihood of accounting errors; delay payments, deposits and report submittals; and decrease oversight of expenditures. -Eliminate combined rule coordinator/tribal position currently used to provide limitation/funding for parts of other positions. -Consolidate agency reception, reducing .5 FTE. -Eliminate process streamlining support for internal Kaizen/Lean Six Sigma. -State government service charge assessment would be reduced by 10 percent, or \$270,955, under the assumption that DAS or other assessed services would be reduced by 10% and hence the assessment would drop. 	OF - \$2,301,922 Indirect Surcharge	<p>HR08</p> <p>Combination of factors: Least harm to agency core infrastructure support and mandatory processes.</p>

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ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Land Quality (003) – Orphan Site Cleanup program	Reduces professional services limitation for investigation and cleanup of contaminated sites where the responsible party is unknown or unable to undertake cleanup. Defers work to 2015-17. Would most likely defer investigation of sites where cleanup work has not yet begun, but could also cause delay in cleanup efforts to protect human health and the environment.	\$1,035,000	HR09 Combination of factors: Least harm to environmental protection; maintains strategic priorities; least harm to service delivery.