

Date: Nov. 28, 2011

To: Environmental Quality Commission

From: Joni Hammond, Deputy Director

Subject: Agenda item H, Informational item: Budget and legislative items update
Dec. 15-16, 2011, 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 and 2013-15 budget development process. This presentation will include an overview of legislative items of interest and budget activities at the state level.

Background DEQ staff presented an update on the DEQ budget status and key legislation at the August EQC meeting. Since that update, all state agencies have responded to requests for information in light of declining state revenues, and DEQ is beginning its development process for the 2013-15 biennial budget cycle.

November 2011 state revenue forecast

On Nov. 17, the state economist released the most recent revenue forecast, which showed \$277 million reduction in General Fund and \$28 million in Lottery funds than the originally approved budget. This represents a two-percent drop in state funding. The next revenue forecast is Feb. 8, 2012. This forecast will inform the Legislature before it makes the final decisions on state budgets during the 2012 legislative session.

DEQ reductions options list

Governor Kitzhaber has asked state agencies to prepare a reductions options list of about 10 percent from the agency's General and Lottery Funds. DEQ submitted this list, seen here as attachment A, to the Legislative Fiscal Office on November 14. The list represents proposed reduction options, and the Legislature will make decisions in February 2012 to implement actual budget reductions as needed to balance the budget.

February 2012 Legislative session

The Legislative Assembly will convene Feb. 1, 2012, for a short session. This session, as approved by the Oregon voters in 2010, is limited to approximately four weeks with stringent limits to the number of measures

the Legislature will consider. The session is limited to no more than two measures per member, five measures per interim committee, five measures by the Executive Branch at the request of the Governor and five measures by the Judicial Branch at the request of the Chief Justice. DEQ will not introduce any policy option packages for consideration during the special session.

New state budget development process for 2013-2015

After the 2012 session adjourns, interim committees will meet periodically as the Legislature and state agencies prepare for the next regular session in February 2013. As part of the preparation, Governor Kitzhaber has established a new budget development process for all state agencies. The process, using an enterprise model, will effectively pool state money into seven categories, organized by the Governor's priorities: economy and jobs, education, good government, healthy environment, healthy people, livable communities and safety.

Selected state agency directors and leaders, including Director Pedersen and Deputy Director Hammond, are serving on the committees for the revised budget development process. Governor Kitzhaber selected the agency representatives so that no representative would be making financial decisions for the agency that he or she leads, and the committees will create holistic, outcome-based budgets that improve the quality of life for all Oregonians. As agencies develop individual budgets for the 2013-2015 biennium, committees will assess how the general pool of money is shared among agencies as part of an outcome-based budgeting system. The agencies will use the traditional budget development process to create budgets, and the committees will overlay the outcome-based enterprise model to leverage limited state funds for the best results for all Oregonians.

EQC involvement

DEQ will present updates on the budget development process and legislative issues at each EQC meeting in 2011 and 2012.

Attachments

A. DEQ budget reductions options list

Approved:

Division: _____

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