

**Date:** July 23, 2010

**To:** Environmental Quality Commission

**From:** Dick Pedersen, Director



**Subject:** Agenda item M, Action item: Certification of 2011-13 Agency Request Budget  
August 18-19, 2010 EQC meeting

**Purpose of item** The purpose of this agenda item is to request that the chair of the Environmental Quality Commission certify the Department of Environmental Quality's 2011-13 Agency Request Budget for submittal to the Department of Administrative Services by Sept. 1, 2010. This presentation includes updates on the base budget, reduction options and budget policy packages that make up the Agency Request Budget and DEQ's legislative concepts, which, if approved for drafting and pre-session filing, will become draft bills for legislative consideration. A copy of the certification form is found in attachment A.

**Background** Every two years, state agencies must develop legislative concepts and budget policy packages as part of the legislative and budget development process. This discussion is a continuation of a conversation on the 2011 legislative agenda from the October 2009 EQC meeting. The development process will continue throughout 2010 in preparation for the 2011 legislative session. Attachment B provides a timeline of key dates and activities.

DEQ staff presented the draft DEQ budget policy packages and their priority ranking, and legislative concepts for the 2011 legislative agenda at the June commission meeting. Since then, staff has refined the budget numbers and is developing the Agency Request Budget book that DEQ will submit to DAS by Sept. 1, 2010. Attachment C is the current version of the Draft 2011 Legislative Agenda. There have been no significant changes since the June 2010 commission meeting. Attachment D is an update of the draft budget overview presentation made at the June commission meeting. These updated numbers reflect what will be included in the Agency Request Budget submittal.

DAS budget instructions require state agencies to submit a list of budget reduction options at a 25 percent cut level for general and lottery funds because of the projected \$2.5 billion 2011-13 budget shortfall. Agencies are always required to submit 10 percent reduction

options for all fund types to fulfill the governor's need to submit a 90 percent budget to the Legislature, as well as the traditional Governor's Recommended Budget. DEQ developed both the 10 percent reduction options for its federal and other funds, or fees, and the 25 percent reduction options for general fund and lottery fund monies. At the June 2010 meeting, staff presented the draft general fund and lottery fund reduction options and will present the proposed federal fund and other fund reduction options at the August commission meeting.

Key upcoming deadlines in this process include:

- August 2010: The EQC chair must sign the Agency Request Budget for submittal to the Department of Administrative Services
- September 2010: DEQ must submit its Agency Request Budget to the Department of Administrative Services and the governor's office on Sept. 1, 2010. This budget submittal includes the base budget, reduction options and the budget policy packages.

**EQC  
involvement**

At each 2010 commission meeting, DEQ will present updates and seek input on the development of the 2011 legislative agenda to engage the commission in the development of legislative concepts, reduction options, budget policy packages and the base agency budget. The commission chair must certify the 2011-13 Agency Request Budget for submittal to DAS and the governor's office by Sept. 1, 2010 at the August EQC meeting.

**Attachments**

- A. DEQ 2011-13 Agency Request Budget Certification form
- B. DEQ 2011-13 legislative agenda development timeline
- C. Draft 2011 legislative agenda
- D. Updated 2011-13 budget overview
- E. Reduction Options (ORS 291.216) – general fund, lottery fund, federal fund and other fund

Approved:

Division: \_\_\_\_\_

Report prepared by: Gregory K. Aldrich  
Phone: (503) 229-6345

## 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 6<sup>th</sup> 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.

☒ Agency Request

☐ Governor's Recommended

☐ Legislatively Adopted

Budget Page

## **DEQ's 2011-13 Legislative agenda development timeline**

### June 2009

- DEQ's 2009-11 budget was adopted

### October 2009

- 22-23 - EQC meeting – Discuss 2011 legislative agenda timeline

### December 2009

- 10-11 - EQC meeting to share preliminary concepts for the legislative agenda

### Late 2009 through February 2010

- Development begins on 2011-13 budget
  - Determine cost of currently approved programs adjusting for 2011-13 costs
  - Estimate future revenues
  - Determine “restorations” needed to cover future costs
  - Develop budget reduction options
  - Develop budget package proposals for new work that DEQ anticipates doing
  - Develop legislative concepts

### February 2010

- 1 – Special Legislative Session begins
- 18 and 19 - EQC meeting – focus on draft legislative concepts and budget policy packages

### March 2010

- 17 – Budget and legislative concept instructions are released by DAS
- Ongoing legislative concept and budget policy package proposal development

### April 2010

- Stakeholder outreach
- Ongoing legislative concept and budget policy package proposal development
- 9 – Legislative concepts are due to DAS
- 29 and 30 - EQC meeting – focus on budget development

### May 2010

- Stakeholder outreach
- Ongoing budget development

### June 2010

- DAS submits approved legislative concepts to Legislative Counsel
- 16 and 17 - EQC meeting – update on legislative agenda; concur on budget submittal for DAS audit
- 30 - Budget request submitted to DAS for audit
- Stakeholder outreach

July 2010

- Budget narrative development
- 14 – Last day to modify legislative concepts

**August 2010**

- **Budget narrative development**
- **18 and 19 EQC meeting – legislative agenda update and Chair signs the budget certification form (part of the agency budget request document)**

**September 2010**

- **1 – Agency Request Budget due to DAS and governor**

**Fall 2010**

- **DEQ works with Legislative Counsel on draft bills (legislative concepts)**
- **DAS and governor review DEQ budget request**
- Governor's Recommended Budget submitted to the Legislature
- Governor pre-session files approved bills (December 15 deadline)

January 2011

- 10 – 2011 Legislative Session begins

Short Package Priority List

PKG NO	PROG	Package Title	Rank 1	Limitation	FTE	FUND TYPE	Position Classification & Location	DESCRIPTION
121	WQ	Ongoing Implementation of Senate Bill 737	1	\$ 237,395	1.00	GF	NRS4 (HQ)	Implementation of SB 737 that was passed by the 2007 legislature. The 2009 Legislatively Adopted Budget included the position for ongoing implementation as an LD position. Permanent position needed to fully implement the legislation.
131	LQ	Orphan Site Cleanup - Existing Obligations	2	\$ 900,000	0.00	GF	N/A	An appropriation of \$900K for match for federal (National Priority List /Superfund) sites and fixed costs at state-lead sites (e.g., operation of installed treatment systems). These funds would NOT be used for investigation or cleanup of any other known or newly discovered sites.
111	AQ	Implement New Federal Air Quality Standards	3	\$ 1,060,982	5.00	FF	NRS 2 (LAB), NRS 3 (LAB), Chem 3 (LAB), NRS 3 (HQ), PA 2 (WR) NRS 1 (HQ)	Policy Option Package: With new EPA standards for lead, NO2, SO2, ozone and PM2.5, DEQ will need additional monitoring, planning and regional staff to develop AQ plans within EPA's quick turn around time. President's budget includes funding for new monitoring equipment and new work.
124	WQ	Water Quality 401 Project Certification	4	\$ 603,234	2.65 (1.75 new; 0.90 existing )	OF	New: NRS3 (WR), NRS2 (NWR), AS1 (NWR)  Existing: PEME (NWR), NRS4 (NWR)	Implementation of new fee schedule planned for EQC adoption in late 2010. The new fee schedule will include all projects that need a 401 and will be set so more positions are affordable. DEQ has worked with an Advisory Committee for the past 3 years on the proposed fee schedule.  The Budget and FTE data shown reflects the affect on 401 certification fees, the net impact to the DEQ budget is \$377,293

Short Package Priority List

PKG NO	PROG	Package Title	Rank 1	Limitation	FTE	FUND TYPE	Position Classification & Location	DESCRIPTION
120	WQ	Onsite Septic System Program	5	\$ 142,129	0.88	OF	ELS (HQ), two NRS3s (WR), OS2 (WR) [These positions phase in on January 1, 2013]	Implementation of Advisory Committee recommendations. Includes: time of transfer inspections for septic systems in the Coastal Zone Management Act; fee for pumpers upon septage disposal; inspections for alternative septic systems; higher fees for applications with prior violations; new fee category for ATT systems; annual fee for ATT products; change site evaluation requirements; new nominal fee for service contracts; and, new fee category for land use planning requests.
110	AQ	Implement New Federal Greenhouse Gas Permits	6	OF \$200,946; FF \$186,875;	1.0 1.0	OF FF	OF-EE3 (NWR) FF- OPA3 (HQ)	Legislative Concept and Policy Option Package: EPA's decision to regulate greenhouse gas under the Clean Air Act means that some sources not currently subject to a Title V permit will become Title V sources due to the level of greenhouse gases emitted. Title V fees are set in statute and LC will add fees for greenhouse gas permitting. POP: FTE to handle new work associated with greenhouse gas permitting. President's budget includes funding for states to develop capacity to undertake climate related work. Add 1 FTE at Headquarters for this federally funded work.
132	LQ	Orphan Sites - Ongoing Cleanup Work	9	\$ 2,500,000	0.00	OF (GF debt, see 193)	N/A	Request bond financing for investigation and cleanup (assuming Pkg 131 provides on-going funding for match and fixed costs). Some existing bonds will be paid off in 13-15 freeing up \$840,000 in GF debt service, which will allow DEQ to sell an estimated \$5.5 million late in 2011-13.
183	NL	Orphan Bond Issuance Costs	9	\$ 75,000		OF		Cost of issuing the bonds used to fund package 132
<del>193</del>	DS	Orphan Bond Debt Service	9	\$ -		GF		Package not entered into ORBITs due no 1113 impact. Funds Pkg 132, request bond financing for investigation and cleanup. Some existing bonds will be paid off in 13-15 freeing up \$840,000 in GF debt service, which will allow DEQ to sell an estimated \$5.5 million late in 2011-13.

Short Package Priority List

PKG NO	PROG	Package Title	Rank 1	Limitation	FTE	FUND TYPE	Position Classification & Location	DESCRIPTION
181	NL	Clean Water SRF Capitalization Grant Loans	10	\$ 30,150,000	0.00	OF		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	DS	Clean Water SRF Bond Debt Service	10	\$ 10,020,000	0.00	OF		Debt service for two new \$5M bonds for state match on CWSRF capitalization grants requested in Package 181
123	WQ	Drinking Water Protection	12	\$ 1,192,205	5.50	OF	Two NRS4s (HQ), NRS3 (HQ), ISS6 (HQ), NRS3 (WR), Chem 2 (Lab)	Continues Drinking Water positions funded by EPA through DHS. Will request positions as permanent not LD.
<del>133</del> (number not used)	LQ	<del>Electronics Recycling Program Restoration</del>	13	\$ -	0.00	OF		<b>Have withdrawn package and removed the registration fee increase from the legislative concept. Currently working to increase fees by rule in 2012, as authorized by e-waste law.</b> Increase to provide an adequate reserve for cash management and to develop a database for registration, tracking and invoicing.
134	LQ	Ballast Water Compliance / Technical Assistance	14	\$ 101,460	0.38	OF	NRS3 (HQ)	New fee levied on ship arrivals in OR waters. Increases inspections and compliance, enhances technical assistance, and provides funding for supplemental needs. Supported by majority of the taskforce membership. Reduces GF reliance by \$25K per biennium.
112	AQ	Air Quality Pass Through Grants	15	\$ 200,000	0.00	FF	None	Pass through a portion of increased federal fine particulate grants to LRAPA.



Leg Concept Number	Agency Number / DEQ Pkg #	Title	Fiscal Provided			Submitted on 4/3/2006	Description
842	34000/1	Greenhouse Gas Permitting	Y				EPA's decision to regulate greenhouse gas under the Clean Air Act means that some sources not currently subject to a Title V permit will become Title V sources due to the level of greenhouse gases emitted. Title V fees are set in statute and this legislative concept will add fees for greenhouse gas permitting - \$600 for existing Title V sources and \$4,000 for new Title V sources due to greenhouse gases. DEQ is proposing an associated policy package of 1 FTE for the new greenhouse gas permitting work.
843	34000/2	Truck Efficiencies to Reduce GHG Emissions	Y				In HB 2186, the 2009 Legislature directed DEQ to research potential legislation to reduce greenhouse gas emissions by reducing aerodynamic drag for trucks and unnecessary long duration idling by commercial vehicles and report back to an interim legislative committee by October 2010. This is a legislative concept to implement DEQ's proposal. There is no associated policy package.
844	34000/3	Expand GHG Reporting Fee Authority	Y				SB 38 (2009) added greenhouse gas reporting requirements for electricity importers and fuel distributors, but DEQ does not have the authority to assess fees to these groups. The bill also directed DEQ to evaluate and report back whether a schedule of fees should be established for electricity importers and fuel distributors. This legislative concept provides fee authority. Consumer owned utilities, gasoline/diesel dealers and propane importers would all pay \$100 per year while the large electric and natural gas companies would pay an amount equal to the greenhouse gas reporting fee cap paid by large industrial sources with high greenhouse gas emissions. The current cap is \$4,500 and the new cap would be somewhat less. Current fee payers would see their fee decrease as these new fee payers are added and DEQ revenue would remain the same. There is no associated policy package.
845	34000/4	Ballast Water / Vessel Fee Authority	Y				The proposed concept would establish a statutory fixed fee to be levied on regulated vessels arriving in OR waters. If approved, the fee revenue would decrease reliance on General Fund dollars, provide funding for water quality equipment, etc. and fund a 0.5 FTE to increase compliance and enhance technical assistance.
846	34000/5	Cleanup changes / Economic Development	N				The proposed concept would amend the prospective purchaser statute to encourage the cleanup of small brownfields and other sites by streamlining approval and providing additional liability protection under certain circumstances.
847	34000/6	E-Waste	Y				The proposed concept would increase registration fees to address loss of revenue, provide for a database for tracking and invoicing, and improve cash management. Also, to better manage collection and recycling between different years, the concept would allow manufacturers collecting beyond their minimum recycling obligations to transfer or bank the excess as "credits." Finally, the concept would change the law so sampling for return share can be done consistent with the adopted methodology.

Leg Concept Number	Agency Number / DEQ Pkg #	Title	Fiscal Provided			Submitted on 4/3/2006	Description
848	34000/7	Onsite Sewage Disposal System Funds	Y				Implementation of Advisory Committee recommendations. LC to revert civil penalty fines back into the program for area-wide pollution issues from septic systems to assist communities in addressing health or water quality problems associated with individual onsite septic systems.
849	34000/8	Enforcement Language Clarification	Y				This placeholder legislative concept is a proactive attempt to reduce ambiguity and incongruity in statutes so that the regulated public will better understand the requirements and to eliminate certain litigation risks. Specifics include: (1) Correct confusing organization and erroneous references; (2) Eliminate an onsite sewage statute (454.635) which implies a requirement that DEQ hold contested case hearings on informal warning letters; (3) Correct a likely inadvertent omission in ORS 465.992 that directs the Department of Revenue, rather than DEQ, to issue and collect penalties for failure to pay drycleaner fees; (4) Clarify that the definition of "hazardous waste generator" at ORS 466.005(6) is the same in scope and effect to the federal definition, consistent with legal positions we have taken and with how we have been implementing the program; (5) Correct a grammatical error that confuses the authority of the EQC in defining hazardous waste under ORS 466.005(7) and therefore confuses whether certain wastes are hazardous waste; (6) Clarify that each occurrence of a violation is subject to a possible separate penalty; (7) Clarify that DEQ may issue and enforce orders in all programs; (8) Clarify that DEQ may seek judicial enforcement; (9) Consistent with Oregon appellate decision, clarify that ORS 468A.030 does not require a showing of negligence for any penalty; and (10) Clarify that air contaminant sources operating under an existing air permit must comply with the conditions of an existing permit.
		2010.08.05	Y				
			N				
			N				

**DEQ's 2011-13 Legislative Agenda/Budget Request**  
August 19, 2010 EQC Talking Points

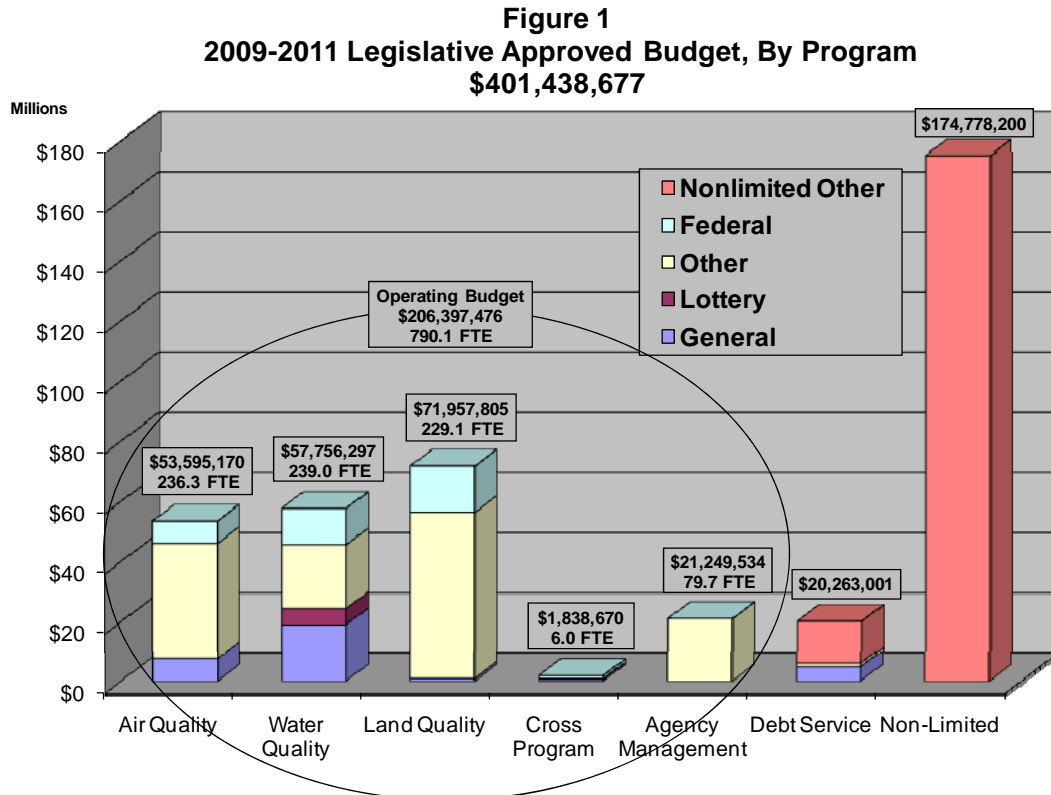
**Budget Overview**

DEQ staff presented the status of budget development efforts to the EQC on June 17, 2010. Since that time, a few changes to policy packages have been incorporated, the agency has finalized its list of options to reduce General Fund and Lottery Funds by 25 percent, prepared reduction options representing 10 percent of the Federal and Other fund budgets, and submitted and passed its Agency Request Budget audit, locking the 2011-13 Agency Request budget dollars in place. The following presentation covers:

- The basic 2011-13 Agency Request Budget current service level and policy packages, comparing the proposed budget to the current 2009-11 Legislatively Approved budget.
- The General Fund and Lottery Funds 25 percent reduction options and a discussion of the current estimate of funding level state wide for the 2011-13 biennium.
- The traditional Federal and Other Fund 10 percent reduction options.

## CURRENT (2009-11) LEGISLATIVELY APPROVED BUDGET

The 2009-11 DEQ Legislative Approved Budget is shown 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 5 program areas make up the “Operating Budget”, authorizing 790 FTE and \$206M in spending
- Debt Service is for bonds issued for Orphans, Clean Water SRF
- The single largest budget item is for Clean Water SRF loans, represents 43 percent of total budget. This part of the budget is characterized as “non-limited” and is *not* subject to legislative limitation.

The 2009-11 Legislatively Approved Budget represents the agency’s *authorization* to spend, but it does not necessarily represent its *ability* to spend. As we have discussed in prior presentations to the commission, DEQ’s ability to spend is limited by the funds provided by federal grants, through our 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 adversely impacting fee collections, with fee collections down in many activities, but with steeper drops in programs linked to some of the hardest hit sectors of the economy, such as On Site, Storm Water, and Solid Waste fees.
- The across-the-board General Fund reductions implemented by the Governor in May 2010 which restricts DEQ's ability to spend the appropriated General Fund:
  - Air Quality \$353,269
  - Water Quality \$885,203
  - Land Quality \$ 44,769
  - Economic Revitalization Team \$ 30,489
- The forecasted Lottery funds will result in a \$60K reduction in funding for TMDL and WQ monitoring.

## PROPOSED 2011-13 AGENCY REQUEST BUDGET

### Current Service Level (CSL)

The DEQ 2011-13 Agency Request Budget is prepared by applying standardized adjustments to the 2009-11 budget to create the Current Service Level (CSL) budget (known in 2009-11 as the essential budget level, or EBL), which is intended to portray the projected 2011-13 costs of continuing permanent services from the 2009-11 budget, without adjustment for affordability:

Adjustment Description	Factor
Eliminate limited duration positions from 2009-11	
Phase in new positions authorized to start during 2009-11	
Adjust salaries for 2009-11 negotiated/implemented changes	
Adjust salary steps for each position based on current incumbent's eligibility date for step increases.	~ 5 percent of salary
Adjust the estimated costs for benefits, PERS Flexible Benefits (Medical/Dental/Vision)	~ 6 percent of salary \$4,416 per FTE
Apply standard inflation factors on other costs: ➤ Services and supplies, capital outlays, temps, and overtime ➤ Professional services contracts ➤ Attorney General charges ➤ Rent in state office buildings ➤ Rent in leased office buildings	2.4% 3.1% 11.0% 2.17% 4.4%
Apply state price list adjustment to assessments funding DAS, LFO and the governor's office	~ 4.5%

### Modified Current Service Level, or Affordable Budget

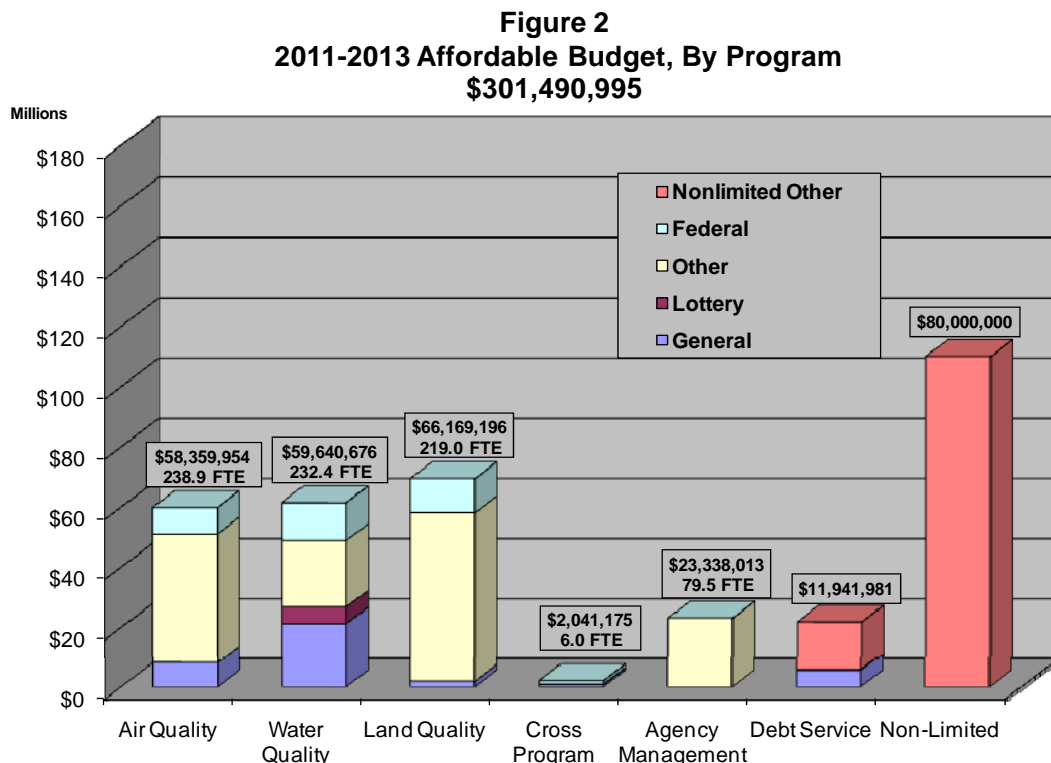
DEQ must then balance the CSL budget based on projected available Other, Federal, and Lottery revenues to create the Modified Current Service Level (MCSL) prior to any requested legislative actions. Balance is achieved by:

- Cutting FTE and 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.
- Due to the high level of uncertainty in fee revenues, DAS and LFO have allowed DEQ to use the vacancy savings budget line to balance its MCSL budget instead of having to permanently cut FTE in the 2011-13 budget. The vacancy savings reductions will apply only to the 2011-13 budget, meaning

that positions/FTE that are not affordable may be kept in the budget (but unfilled) and reevaluated for affordability when DEQ builds its 2013-15 budget.

- Welcome approach to help DEQ deal with potentially large and temporary variability in fee revenues without having to cut positions.
- Parallels with how DEQ does budget execution planning, but FTE reported in the 2011-13 Agency Request Budget will be higher than the expected affordable levels at budget implementation.

The result of the Modified CSL budget is shown in Figure 2, the 2011-13 “Affordable Budget”.



The changes in the 2011-13 affordable budget relative to the 2009-11 LAB 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:

- AQ higher due to:
  - Phase in of new ACDP NESHAPS FTE
  - Phase in of Green House Gas reporting FTE
  - 1.0 FTE shifted from LQ to AQ
- WQ lower due to
  - Positions authorized only for 2009-11:
    - 5.5 FTE, Drinking Water Protection
    - 1.5 FTE, SB 737 Toxics
    - 1.0 FTE, TMDL position on federal funds

- Position not affordable in 2011-13:
  - 1.0 FTE, TMDL due to reduced Lottery Revenues
- 2.4 FTE added the WQ budget in the Laboratory to align with actual operations.
- Vacancy Savings in Water Quality:
  - On Site - \$855K, 4 FTE equivalent.
  - Underground Injection Control - \$522K, 2 FTE equivalent.
- Land Quality lower due to:
  - Position not affordable or not used for 2011-13:
    - 3.75 FTE, Solid Waste
    - 2.0 FTE, Tanks and Hazardous Waste
    - 1.0 FTE, Cleanup
    - 2.4 FTE shifted from LQ to WQ in the Laboratory
    - 1.0 FTE shifted from LQ to AQ
  - Vacancy Savings in Land Quality:
    - Solid Waste - \$2.325M, equivalent of 10 FTE in budget execution.
    - Hazardous Waste - \$235K, 1 FTE equivalent.
    - Heating Oil Tanks - \$221K, 1 FTE equivalent.

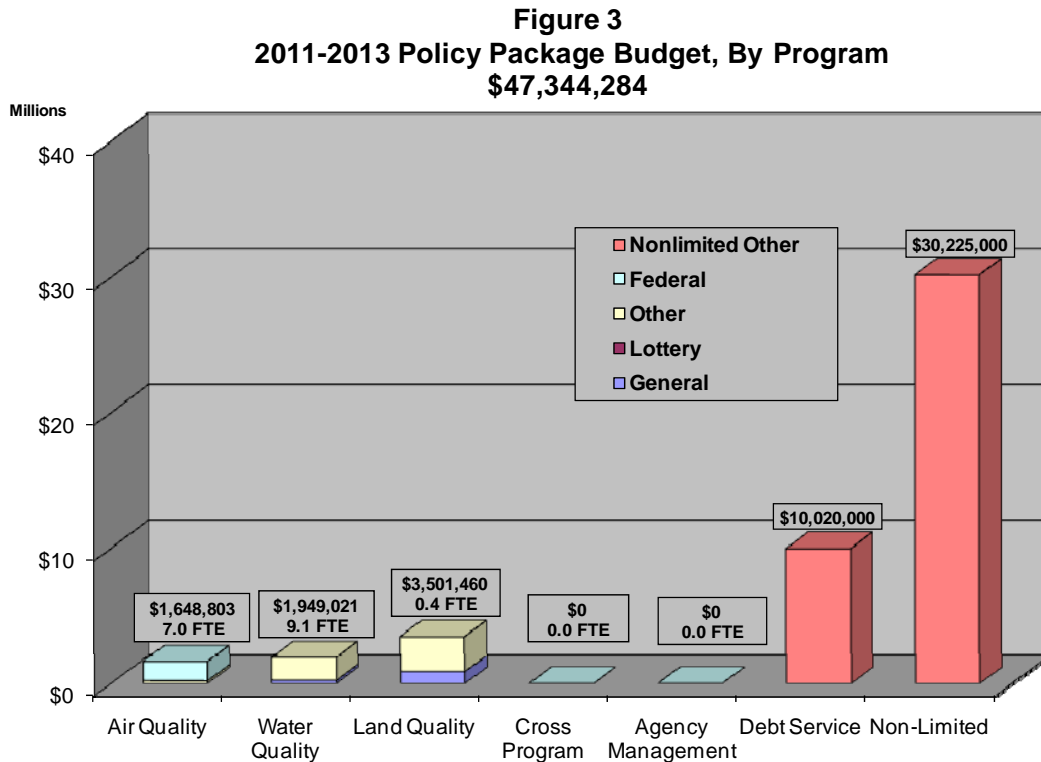


## Policy Package Requests

Attachment C contains details of the DEQ Policy Package Requests included in the 2011-13 Agency Request Budget. These packages are essentially the same as had been presented to the Commission in June 2010.

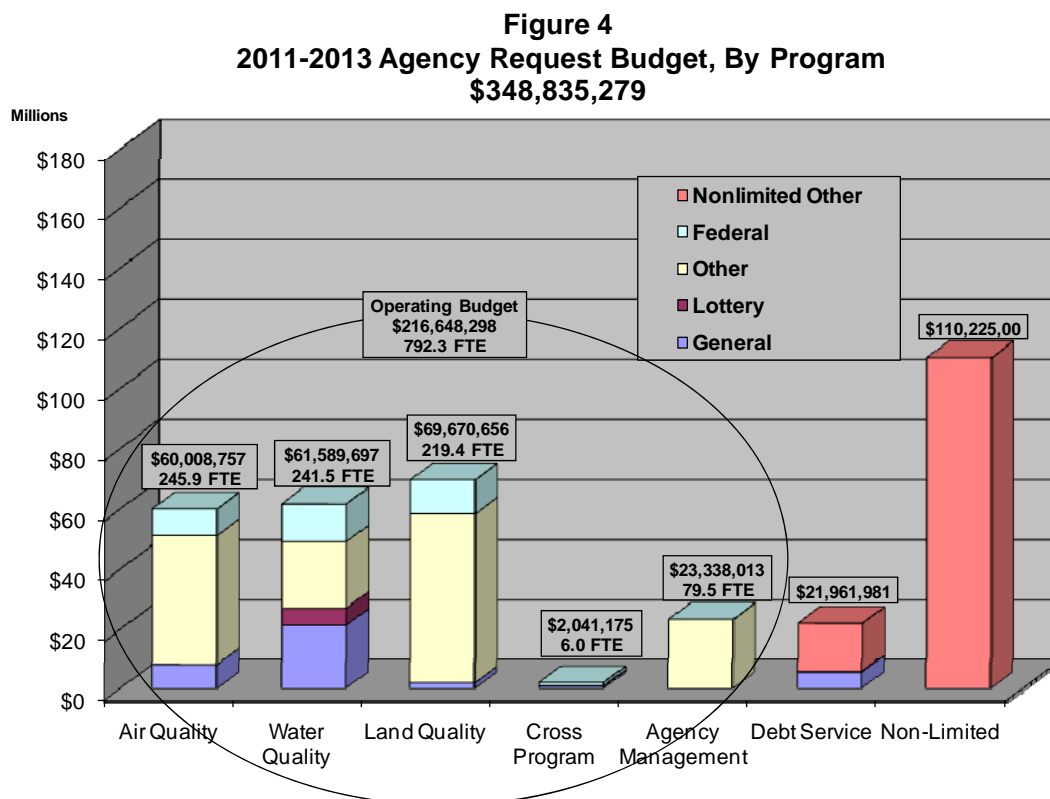
- 14 Policy Packages, \$47.3M, 16.5 FTE
  - \$1.1M General Fund (\$0.9M is contracts)
  - \$4.5M Other Fund (\$2.5M is contracts)
  - \$1.4M Federal Fund
  - \$30.2M Non-limited, for 2011-13 federal Clean Water SRF capitalization grants
  - \$10M for Non-limited debt service on new CWSRF bonds.

Figure 3 provides a summary of the Policy Package Budget and FTE totals.



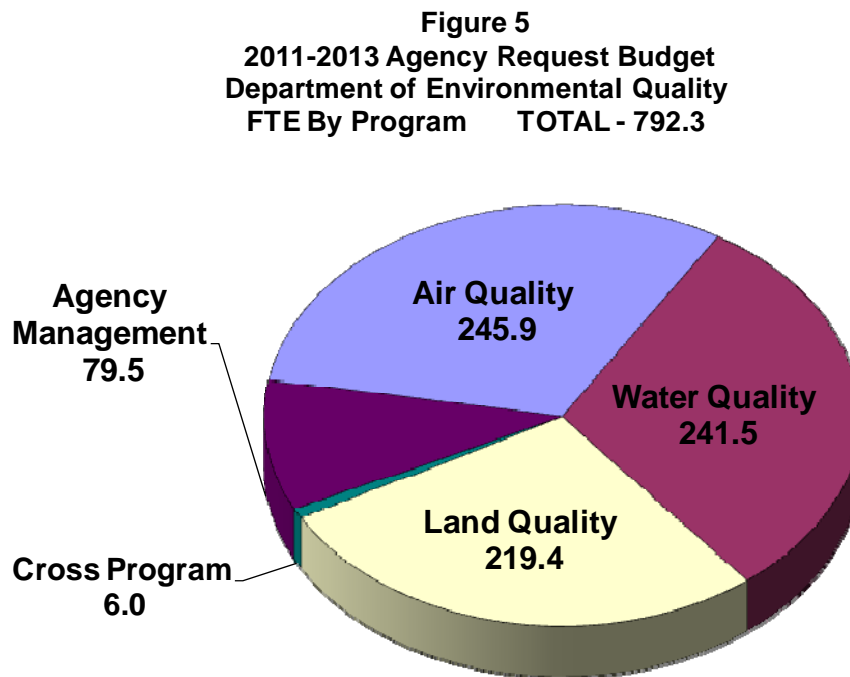
## Agency Request Budget

The DEQ 2011-13 Agency Request Budget (ARB) is comprised of the “Affordable” budget plus the Policy Packages, effectively adding Figure 3 to Figure 2 to create Figure 4:



- Total AR Budget is \$348M, 792 FTE.
- Operating Budget comprises roughly 2/3 (\$216M) of total budget
  - \$ 32.3M General Fund
  - \$ 5.6M Lottery Fund
  - \$ 144.9M Other Fund
  - \$ 33.8M Federal Fund

In terms of FTE, Figure 5 provides a summary of the Agency Request Budget, by program area.

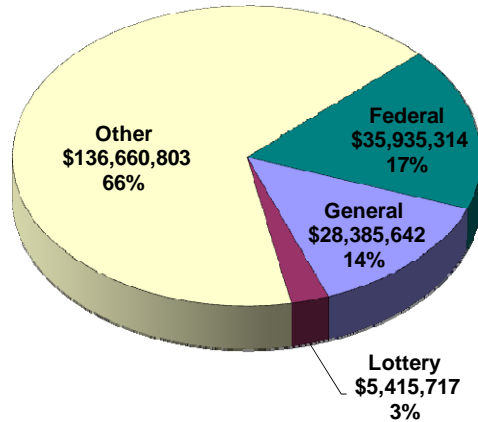


Once again, the authorized FTE numbers reported in the above graph must be tempered by the use of the higher vacancy savings budget accounts, which cut authorized spending limits but do not reduce positions or FTE. Continued economic downturn or a slower than projected return to historical fee levels may further impact DEQ's ability to actual afford the authorized FTE during budget execution.

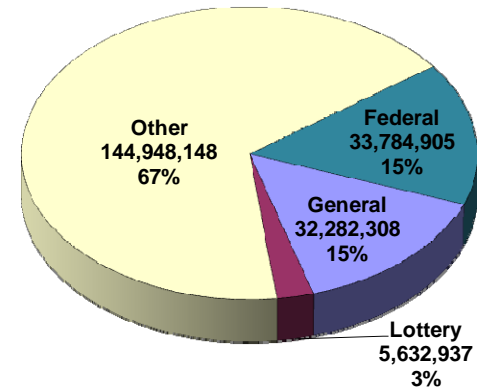
Comparing the proposed 2011-13 budget to the currently approved budget in Figure 6, DEQ's requested budget has increased General and Lottery Fund (mostly the result of increased costs on current service level), but shows a decrease in Federal Fund budget, mostly due to phasing out of ARRA stimulus funding in the AQ clean diesel and LQ underground storage tank cleanup activities. The growth in the Other Fund budget is mostly driven by policy packages.

**Figure 6 – Comparison of Funding Sources 2009-11 to 2011-13**

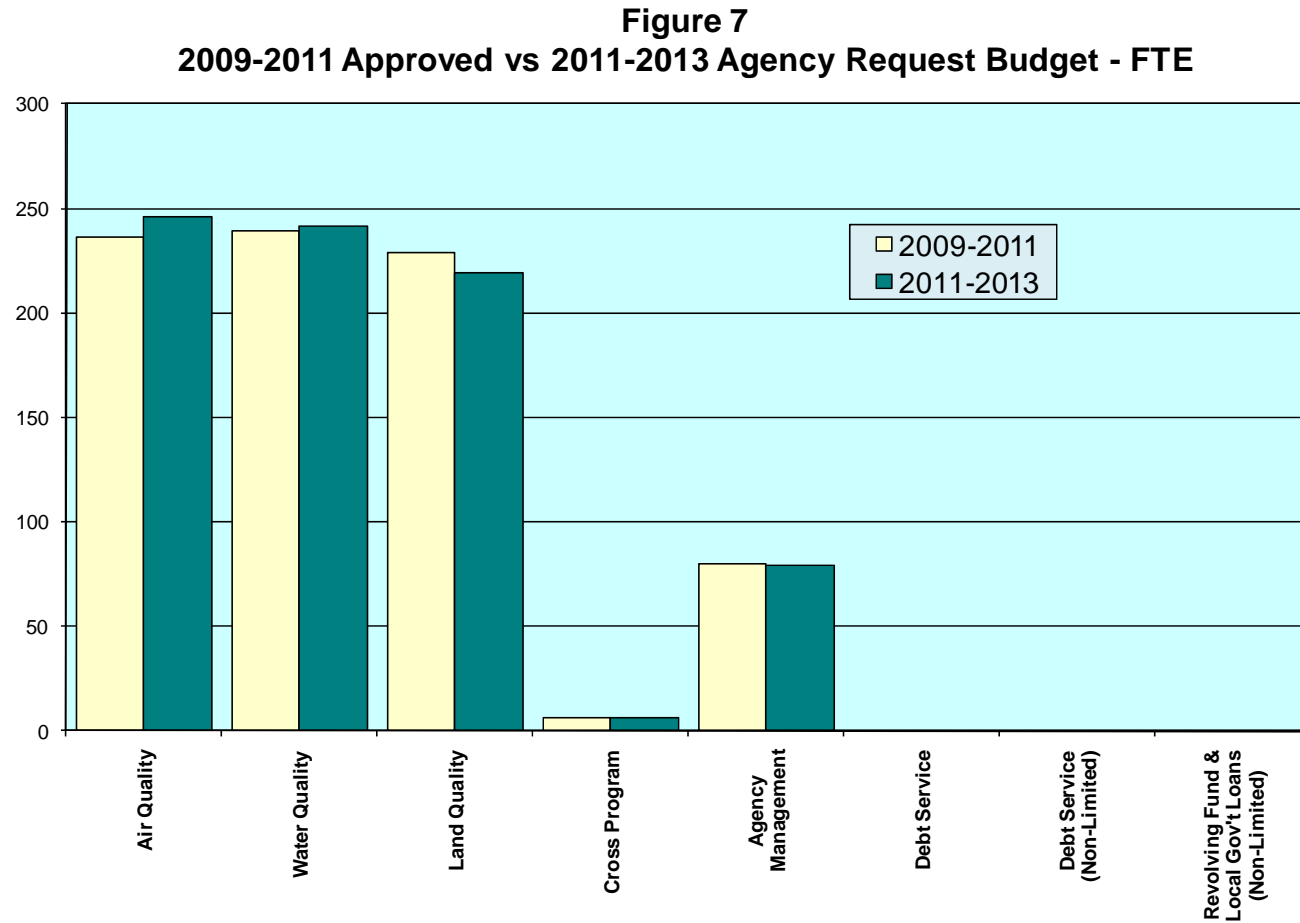
**2009-2011 Total Legislative Approved  
Operating Budget**  
(Excludes Non-Limited and Debt Service) - \$206,397,476



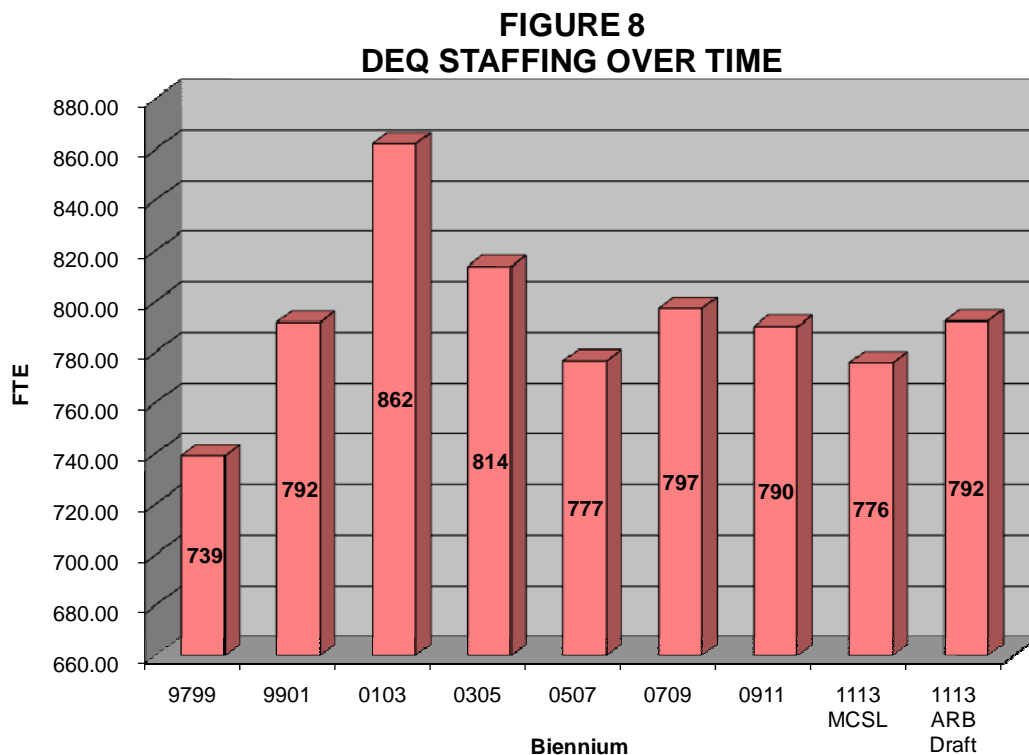
**2011-2013 Total Agency Request  
Operating Budget**  
(Excludes Non-Limited and Debt Service) - \$216,648,298



In terms of FTE, Figure 7 shows that comparison of 2009-11 Legislatively Approved Budget FTE to the 2011-13 Agency Requested Budget:



The DEQ Agency Request Budget maintains the level of budgeted staffing at the 2009-11, presuming that all of the requested policy packages are approved by the Governor and the Legislature, as shown in Figure 8.



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 792 FTE in the Agency Request budget will be challenging:

- Policy Packages for 11 FTE request new funding sources, fee increases, General Fund or new Federal Funding proposed in the Presidents FY2011 Budget
- The projected \$2.7 billion shortfall in the statewide GF for 2011-13 will likely result in the adoption by the Governor's Office and/or Legislature of some portion of the GF and LF 25% reduction options, which total 46 FTE.

In addition to a likely lower budgeted FTE when the 2011-13 budget is finally approved, the 2011-13 DEQ ARB also includes \$4.2 million/17 FTE of vacancy savings not reflected in the FTE data, but that will need to be reflected in positions actually held vacant during the 2011-13 biennium.

## **Reduction Options**

As part of developing its Agency Request Budget, DEQ was required to develop options to reduce its 2011-13 budget by 25 percent in General and Lottery Funds, and by 10 percent in Other and Federal Funds.

The 10 percent reduction options for Other and Federal Funds are traditional requirements that have never been implemented for DEQ in the past. Due to the current projected budget shortfall, these options may receive increased scrutiny if the proposed options are perceived to present an opportunity to reduce Other and Federal Fund activities in the budget and either sweep Other Fund revenues out of the fund or shift activities currently funded on General Fund over onto the savings in the alternative funding source as part of the effort to fill the \$2.7 billion state GF shortfall.

DEQ's Other and Federal Fund 10 percent reduction options are presented in Attachment E. The Other and Federal Fund options have not been targeted for implementation in the past, but realize there is some increased uncertainty with these options for 2011-13.

The General and Lottery Fund 25 percent reduction options are documented in Attachment E, and have remained essentially the same as the list that was discussed with the EQC at the June commission meeting. The two lists represent \$10.6M and 46 FTE in potential reductions to DEQ work. With the state general fund projected to have a \$2.7 billion shortfall (representing approximately 16% of the current service level GF budget) for 2011-13, it is highly likely that options will be implemented from DEQ's reduction options.

Much as it did with the reduction options developed for the 2009 session, DEQ will continually monitor vacant positions, manage recruitment decisions, and shift staff assignments where needed to help mitigate the potential impacts from implementation of some number of the reduction options.

This concludes the presentation of the DEQ 2011-13 Agency Request Budget.

The final remaining business on this topic would be the Chairman's certification of the DEQ ARB budget submittal (Attachment A). Before we move to that, are there any questions?

## 10% REDUCTION OPTIONS (ORS 291.216)

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 - \$480,385	FR01 - Combination of factors: Least harm to environmental protection; Maintain 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 - \$403,000	FR02 - - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Air Quality (001) - Reduce federal Clean Air Act PM 2.5 Grant for Fine Particulate Monitoring (section 103 funding)	This reduction would eliminate most of the federally funded fine particulate monitoring network in Oregon. EPA tightened the standard for fine particulate because scientific studies show that fine particulate is more dangerous to health than previously thought. Loss of the fine particulate monitoring network would result in an inability to identify air quality problems, measure progress and report important information to the public. This would reduce staffing by at least 3.0 FTE.	FF - \$646,973	FR03 - Combination of factors: Least harm to environmental protection; Maintain 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 professional services limitation [may need to include some FTE in reduction as well].	FF - \$195,000	FR04 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.



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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) - 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 Dept. of Defense and Army Corps of Engineers, including facilities 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 U.S. Department of Defense to ensure state cleanup requirements and local community input is considered when addressing environmental conditions at approximately 17 sites. Eliminates .55 FTE.	FF - \$134,000	FR05 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Land Quality (003) - Environmental Cleanup. Reduce EPA funding for assessment of contaminated sites.	Reduce by 50% EPA funding to support the discovery and initial assessment of environmental conditions at sites that have not been investigated or cleaned up. DEQ uses federal site assessment funds to determine if further investigation and cleanup to protect public health and the environment is necessary. Eliminates approximately .50 FTE.	FF - \$140,000	FR06 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
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 to \$3 million per biennium. No position or FTE impact.	FF - \$1,106,146	FR07 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

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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) - Environmental Cleanup. Reduce EPA funding supporting the cleanup program's infrastructure, ongoing policy development and site-specific work.	Eliminate about 6% of funds available for maintaining the state's cleanup program infrastructure. EPA's state response grants pays for health, safety and other training for state cleanup staff; development of cleanup policy and guidance; and DEQ Brownfield redevelopment community education and outreach efforts. Eliminates approximately .45 FTE and about \$25,000 of professional services limitation.	FF - \$128,021	FR08 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

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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) - 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 request that DEQ contract for cleanup on their behalf. This typically happens when multiple parties are responsible for cleanup and having DEQ make payments simplifies project management. In order to reduce OF expenditures, DEQ could renegotiate some agreements to return funds to the parties so 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.	HR01 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Land Quality (003) - Drug lab cleanups	Reduce spending to clean up illegal drug lab by about 1/3. Reduces contract limitation.	OF - \$31,000 Asset forfeitures	HR02 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
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.	OF - \$1,285,000 Electronic Waste Recycling Fees	HR03 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

### 10% REDUCTION OPTIONS (ORS 291.216)

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
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 10 positions amounting to 10.00 FTE would be reduced in 2009-11 and 2011-13.	OF - \$2,034,178 Onsite permit fees	HR04 - Combination of factors: Least harm to environmental protection; Maintain 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 - \$4,278,000 Vehicle Inspection Fee	HR05 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities.
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 of the 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 3.33 FTE.	OF - \$565,000 Heating Oil Tank Filing Fees	HR06 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

### 10% REDUCTION OPTIONS (ORS 291.216)

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% 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 - \$17,200 Tax Credit Filing Fees	HR07 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

## 10% REDUCTION OPTIONS (ORS 291.216)

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>The reduction would reduce \$98,000 of capital purchases and reduce 10.5 FTE, with the following impacts on support services provided to other sections of DEQ:</p> <p><b>Human resources and administrative support</b> cuts would reduce services to staff and managers, increase the risk of noncompliance with HR rules and processes and reduce support for the division administrator.</p> <p><b>Business systems development</b> cuts would reduce the agency's ability to develop new systems and keep current systems updated.</p> <p><b>Information Technology</b> 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 minimize support for hardware procurement and server maintenance.</p> <p><b>Accounting and Budget</b> cuts would reduce accounting support and ability to respond to audit issues. Would increase the risk of potential accounting issues. Would likely result in the need to reevaluate the level of detailed accounting currently maintained by DEQ in support of program budget execution needs. Support for budget development and execution planning would be reduced by 20% across all programs and the laboratory.</p> <p><b>State Government Service Charge assessment</b> charged to state agencies, would be reduced by 10%, or \$351,000, under the assumption that services at DAS or other assessed services would be reduced by 10% and hence the assessment would drop.</p>	OF - \$2,334,000 Indirect Surcharge	HR08 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

## 25% REDUCTION OPTIONS

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 Monitoring Efficiencies	The Air Monitoring section has streamlined operations which reduces staffing needs. They reduced quality assurance, network review and audit frequencies. Using regional staff or contractors to collect samples at remote sites saves travel time and costs. New data management system also provides efficiencies. EPA is adding many new monitoring requirements and normally these resources would be shifted to cover some of the new work.	GF - \$265,487	GR1 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Land Quality (003) - Eliminate .50 Hazardous Waste manager position in Eastern Region	Consolidate Solid Waste & Hazardous Waste sections in Eastern Region, resulting in a larger span of control and expanded areas of responsibility. Could result in less manager attention to some program issues.	GF - \$175,516	GR2 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Air Quality (001) - Reduce Support for Lane Regional Air Protection Agency	This cut would result in an across the board reduction for LRAPA through furloughs or other reductions. It would reduce the amount of inspections, air monitoring, reporting, forecasting, complaint responses, permits issued, enforcement actions, grant applications, and open office hours.	GF - \$112,544	GR3 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Air Quality (001) - Reduce Local Government Air Quality Outreach	Reduces funding for local government fine particulate reduction outreach. DEQ's support for these former non-attainment areas is a federal requirement of the State Implementation Plan (SIP). Work supported includes: daily air quality advisories, voluntary woodstove curtailment programs and conducting wood smoke public education activities to reduce emissions. May result in higher fine particulate emissions or in some communities, violation of the federal standard.	GF - \$76,105	GR4 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

## 25% REDUCTION OPTIONS

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Air Quality (001) - Reduce Air Toxics Outreach	Cuts outreach work to reduce benzene and PAH emissions, two of the most significant toxic air pollutants. Reduction efforts target dry cleaners, gas stations and development of community burn ban and woodstove ordinances.	GF - \$140,176	GR5 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Land Quality (003) - Shift a portion of existing Ballast Water program to fee funding (contingent upon approval of new fees)	Shift a portion of existing Ballast Water program to new fee proposed in LC 845. Limits funding that would otherwise have been available for industry-supported increase in technical assistance and compliance efforts.	GF - \$25,000	GR6 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Air Quality (001) - Reduce Clean Diesel Work	Reduce overall clean diesel work. The immediate impact would be eliminating the Fleet Forward clean diesel recognition program. The program recognizes fleets that burn less fuel, cleaner fuel and reduce diesel exhaust. Long term the reduction to education and outreach will make it more difficult to reach the statutory goal to reduce the excess cancer risk from diesel engine emissions by 2017.	GF - \$268,272	GR7 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) - Reduce State Water Quality Permitting, WPCF	Reduces inspections, technical assistance and permit renewals for permittees that land apply their effluent. Permit renewals will be delayed. This means that DEQ will be unable to assure the public that permitted discharges are in compliance and potential water pollution violations will go unchecked.	GF - \$393,105	GR8 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.



## 25% REDUCTION OPTIONS

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Air Quality (001) - Eliminate Carbon Monoxide and PM 10 Monitoring	Eliminates carbon monoxide sites in Medford and Portland and four PM10 sites (Klamath Falls, Medford, Grants Pass, and Pendleton). The loss of the CO sites would eliminate the last two CO monitoring sites in the state. CO is a good indicator of vehicle emissions, including benzene. The four PM10 sites are in former non-attainment areas, and are an important component of the current plans to maintain air quality in those areas.	GF - \$221,229	GR9 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Air Quality (001) - Reduce State Air Permitting (ACDP)	Eliminate most of remaining GF from ACDP, leaving less than 2 FTE of non-fee funded FTE in the program. Will reduce facility inspections and compliance oversight, eliminate coordinated inspector training and delay or eliminate outreach materials for new sources.	GF - \$395,593	GR10 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Land Quality (003) - Reduce Hazardous Waste compliance	Reduces Hazardous Waste compliance staff by about 10%. Reduces ability to inspect generator and TSD facilities and follow up on compliance issues, to respond to complaints and to maintain current TSD permits.	GF - \$218,388	GR11 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Air Quality (001) - Reduce Fine Particulate Planning	Eliminates an Air Quality Planner developing and coordinating fine particulate reduction strategies and carrying out mandatory CAA requirements for new federal standards. Delays work to develop an air quality plan for returning Klamath Falls and Lakeview air to healthy levels. Extended violation of the fine particulate standard negatively impacts public health and economic development in the area. Postpones pollution prevention outreach and strategy development in Oregon communities at risk of violating federal standards.	GF - \$174,532	GR12 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

## 25% 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) - Reduce Toxics Monitoring and Mixing Zone Studies	<p>Reduces work in the Water Quality Toxics Monitoring program and eliminates mixing zone studies for small communities. This means:</p> <ul style="list-style-type: none"> <li>• Fewer monitoring samples will be taken from rivers and streams and analyzed. DEQ will have less data and information regarding the toxic pollutants found in water and fish in Oregon's rivers and streams.</li> <li>• DEQ will stop doing mixing zone studies for small communities. This means all municipalities will be required to conduct their own mixing zone studies as part of the water permit renewal process. There will be additional costs to the communities that DEQ has previously assisted with this permit requirement.</li> <li>• Development of maps and other visual tools that geographically depict where toxics monitoring was done and the monitoring results will not be readily available to the public. DEQ has had frequent requests from the public for this information to date.</li> <li>• Remaining staff in the toxics monitoring program will not have administrative support to do copying, filing, mailings, scheduling and database work.</li> <li>• Reduced ability to develop informational materials for the public or conduct public outreach regarding the results of the toxics monitoring results.</li> </ul>	GF - \$895,917	GR13 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) - Reduce Water Quality Enforcement	Reduces enforcement capabilities for water quality violations. This means there will be reduced compliance with legal requirements, fewer Supplemental Environmental Projects funded by violators, and less civil penalty money contributed to the General Fund.	GF - \$214,991	GR14 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

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ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Air Quality (001) - Reduce Air Emission Inventory	Delays air toxics and fine particulate planning work. Emission inventory is the scientific underpinning of air quality planning, including identification of sources, determining baseline emission levels, evaluating the benefits of proposed emission reduction strategies, and meeting federal technical requirements. With fewer resources, DEQ will have to delay planning efforts to reduce air quality health impacts.	GF - \$198,121	GR15 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Air Quality (001) - Reduce Fine Particulate Monitoring	Reduce fine particulate Federal Reference Method samplers in McMinnville, Portland, Madras and the Klamath Falls background site. These sites have the lowest PM readings and normally when sufficient data has been collected, DEQ would shift the samplers to new areas where air quality is unknown.	GF - \$209,232	GR16 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) - Reduce Wastewater Permitting-Stormwater	<p>DEQ would not be able to meet the commitments made for the Stormwater program. Specifically, DEQ would:</p> <ul style="list-style-type: none"> <li>• Reduce inspections and compliance activities for industrial and construction sites. This means that DEQ will be unable to assure the public that permitted industrial and construction discharges are in compliance and potential water pollution violations will go unchecked.</li> <li>• Reduce permit issuance. This means that all stormwater permit issuance and responses to proposed new construction projects will be delayed.</li> <li>• Commitments to reissue the 1200Z industrial stormwater permit by August 2011 that is included in the settlement agreement with Northwest Environmental Defense Center and Columbia Riverkeeper would not be met.</li> </ul>	GF - \$595,757	GR17 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

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ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Water Quality (002) - Reduce Wastewater Permitting	Reduces capacity in the wastewater permit program. This means that municipal permits will take longer to issue, the backlog goal of 10% will not be met, and the timelines for inputting data into EPA's compliance database will not be met. DEQ's ability to ensure consistent and up-to-date implementation of permit program policies will be reduced significantly. DEQ's ability to ensure water quality issues are addressed through permits will be significantly reduced.	GF - \$1,161,481	GR18 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Air Quality (001) - Reduce Air Toxics Monitoring	This would cut the air toxics monitor in Klamath Falls or a monitor in Medford. This reduction, together with a monitor cut in 2009-2011 would significantly undermine DEQ's air toxics monitoring effort. The monitors were added in the 2007 budget in response to substantial public interest. When sufficient data is accumulated, the Klamath Falls monitor (previously Salem) will move to a new location, which will provide air toxics information in another part of the state.	GF - \$278,215	GR19 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

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ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
Water Quality (002) - Reduce Willamette TMDL Implementation	<p>Significantly reduces implementation work associated with the Willamette TMDL. This work includes:</p> <ul style="list-style-type: none"> <li>• Providing technical assistance to local communities, watershed councils, local governments, other state agencies, federal agencies, businesses, citizens, and other groups in the Willamette Basin for implementing watershed restoration and pollution control activities.</li> <li>• Collecting and analyzing mercury data to ensure DEQ, communities and other stakeholders can better understand how mercury affects the environment and make cost-effective decisions about mercury reduction strategies.</li> <li>• Conducting compliance reviews for all stormwater annual reports submitted by local governments associated with the Willamette TMDL.</li> </ul> <p>This reduction option package includes a manager position.</p>	GF - \$1,088,506	GR20 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

## 25% 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) - Reduce Biosolids Management, Compliance Support and Complaints Response	<p>Reduces staff responding to the public about illegal discharges to the environment and complaints about non-permitted sources of pollution by 25%. Will greatly limit DEQ's ability to assist and respond to the public and impact permit timeliness and inspection frequency because permit staff will need to respond to significant complaint issues.</p> <p>Reduces DEQ's timely response to grant site authorizations for the land application of municipal and industrial biosolids by 40%. Reduces capacity to issue Water Pollution Control Facilities permits that have a biosolids component.</p> <p>Eliminates a compliance position that works with EPA, permit writers and permittees on compliance activities. Reduced effort in coordinating with other state agencies on permitting issues related to mining and water quality. Fewer resources to address DEQ's general permit backlog. This means there will be a delay in evaluating and incorporating new water quality requirements into expired general permits. In addition, DEQ cannot register new facilities to expired permits which make them vulnerable to third party lawsuits.</p>	GF - \$655,673	GR21 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.
Water Quality (002) - Reduce Water Quality Information Services and Support	Eliminates a manager position in the water quality program focused on information technology and process efficiencies. Staff to manager ratio will increase. The Water Quality program will have less support in organizing rulemaking hearings, responding to public comments and conducting background research. This means that technical staff will have less time to focus on the technical work.	GF - \$459,063	GR22 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

## 25% 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) - Reduce Groundwater Protection Program	<p>DEQ would no longer do work associated with any of the Groundwater Management Areas (GWMAs) that are located in the Lower Umatilla Basin, Northern Malheur County, and in the Southern Willamette Valley. The work associated with the GWMAs includes:</p> <ul style="list-style-type: none"> <li>• Implementation and monitoring of Groundwater Management Areas where the water quality has been degraded, beneficial uses are seriously impaired, and public health may be at risk in part from nonpoint source groundwater pollution</li> <li>• Technical assistance to communities and watershed councils engaged in groundwater pollution prevention efforts.</li> </ul>	GF - \$956,620	GR23 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.

## 25% REDUCTION OPTIONS

ACTIVITY OR PROGRAM (WHICH PROGRAM OR ACTIVITY WILL NOT BE UNDERTAKEN)	DESCRIBE REDUCTION	AMOUNT AND FUND TYPE	RANK AND JUSTIFICATION
<p>Water Quality (002) - Reduce TMDL Development and Implementation</p>	<p>Work on the development of Willamette Basin TMDL that is scheduled to be reviewed in 2011 and Mid-Coast Basin TMDL that is scheduled to be issued in 2012 will be delayed. The work includes:</p> <ul style="list-style-type: none"> <li>• Modeling &amp; TMDL Development</li> <li>• Stakeholder Coordination &amp; Outreach</li> <li>• Recalculation of natural thermal potential, including upstream of dams</li> <li>• Recalculation of waste load allocations for permits</li> <li>• Recalculation of load allocations for nonpoint sources</li> </ul> <p>DEQ would no longer be able to do water quality analysis for water quality trading proposals. Determining priorities for restoration project locations in watersheds will no longer be conducted. TMDL implementation and nonpoint source pollution technical assistance would be reduced for local communities, watershed councils, local governments, other state agencies, federal agencies, businesses, and citizens in Eastern Oregon. Not doing this work would result in less effectiveness to reduce polluted runoff from entering Oregon's rivers and streams.</p>	<p>LF - \$450,730</p>	<p>LR1 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.</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
<p>Water Quality (002) - Reduce TMDL Development</p>	<p>DEQ would no longer be able work on the development of the Yamhill Basin TMDL that is scheduled to be reviewed in 2011 or the development of Mid-Coast TMDL scheduled to be issued in 2012. The work includes:</p> <ul style="list-style-type: none"> <li>• Modeling &amp; TMDL Development</li> <li>• Stakeholder Coordination &amp; Outreach</li> <li>• Recalculation of natural thermal potential, including upstream of dams.</li> <li>• Recalculation of waste load applications for permits.</li> <li>• Recalculation of load allocations for nonpoint sources</li> </ul> <p>TMDL implementation and nonpoint source pollution technical assistance would be eliminated for local communities, watershed councils, local governments, other state agencies, federal agencies, businesses, and citizens in the Molalla River watershed. Water quality work in all lakes in northwest Oregon would stop. This means DEQ would no longer be able to respond to complaints related to harmful algae blooms.</p> <p>Not doing this work would result in less effectiveness to stop polluted runoff from entering Oregon's rivers and streams.</p>	<p>LF - \$500,405</p>	<p>LR2 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.</p>

## 25% 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) - Reduce TMDL Development and Implementation	<p>DEQ would no longer be able to work on development of the North Coast Basin TMDLs or the Deschutes Basin TMDL for sediment. The work includes:</p> <ul style="list-style-type: none"> <li>• Modeling &amp; TMDL Development</li> <li>• Stakeholder Coordination &amp; Outreach</li> <li>• Calculation of natural thermal potential</li> <li>• Calculation of waste load allocations for permits</li> <li>• Calculation of load allocations for nonpoint sources</li> </ul> <p>DEQ would no longer be able to implement the strategy for reducing the occurrence of toxic algae blooms in lakes and rivers or develop a strategy for integrating stormwater into TMDLs.</p> <p>DEQ's monitoring and analysis work that provides the foundational data for TMDL development will be severely scaled back. This means that all TMDLs will take much longer to develop, thus Oregon's known water quality pollution problems will take many more years to address and new permittees may be challenged with discharge requirements if TMDLs are not completed in basins they propose to discharge into.</p>	LF - \$457,099	LR3 - Combination of factors: Least harm to environmental protection; Maintain strategic priorities; Least harm to service delivery.