



Memorandum

Date: Nov. 24, 2025

To: Environmental Quality Commission

From: Leah Feldon, Director

Subject: Agenda item F, informational item: Agency Budget Updates
Dec. 2, 2025, EQC meeting

Purpose of item

DEQ will provide the Environmental Quality Commission a status update on the implementation of the 2025-2027 biennial budget, including activities in response to potential budget rebalancing. The agency will also brief the commission on the process for developing the 2027-2029 Agency Request Budget.

Presentation content

This presentation will address several issues about budget execution and development.

2025-2027 Legislatively Adopted Budget

Governor Kotek signed SB 5520, DEQ's 2025-2027 budget bill, on June 24, 2025. Key highlights in the agency's budget include:

- Restoration of Water Quality positions that would have been eliminated due to shortfalls of federal funds. These positions will now be funded through the General Fund.
- Protection against cuts to currently filled General Fund positions.
- Authorization of essential fee increases in the Air Contaminant Discharge, Greenhouse Gas Reporting, and Water Quality programs.
- Creation of new positions, using existing funds, in the Cleaner Air Oregon, Materials Management, Water Quality Grants, and Fuel Tank Seismic Stability programs.
- Establishment of an additional Environmental Law Specialist position for the Office of Compliance and Enforcement.
- Creation of three additional positions for the Climate Protection Program, focused on developing new regulations to prevent emissions leakage from energy-intensive and trade-exposed industries.

DEQ's 2025-2027 budget is \$966 million in total funds, supporting 894 positions. This includes approximately \$85 million in General Funds, \$7 million in Lottery Funds, \$347 million in Other Funds, \$363 million in Other Funds Nonlimited, and \$165 million in Federal Funds. Overall, this is a 24% increase from the 2023-25 legislatively approved budget, and a 32% increase over the current service level, driven mainly by Federal Funds for the Climate Pollution Reduction Grant. But for the one-time CPRG funds, this budget represents a continuation of DEQ's long-standing funding mix: the agency is primarily supported by "Other Funds" (fees, and cost recovery proceeds), with General and Federal Funds obligated for very specific activities.

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2025-2027 Budget Rebalance Initiative

Shortly after the legislature adjourned sine die, Congress adopted House Resolution 1 (The One Big Beautiful Bill). Passage of this legislation impacts Oregon's budget in multiple ways. While the federal funds that flow directly to DEQ were unaffected by provisions of H.R. 1, the reconciliation bill includes significant modifications to federal tax code and to federal funds that benefit states, such as changes to Medicaid and the Supplemental Nutrition Assistance Program. Economists predict that changes to the tax code are likely to reduce General Fund revenue in Oregon at the same time the state sees reductions to federal funds, as mentioned. Efforts to backfill those federal funds (should Oregon's budget writers choose to pursue that) will further strain the state's available General Fund revenue.

Following the passage of H.R. 1, Oregon's state economist has issued two General Fund revenue forecasts: first on Aug. 29, and then on Nov. 19. Those forecasts show a revenue shortfall, relative to what the legislature anticipated when it finalized the 2025-2027 state budget.

This shortfall suggests a need to rebalance the budget to available revenue. To inform the rebalance process, the Legislative Fiscal Office requested all state agencies to submit reduction options totaling 5% of the 2025-2027 General Fund, Lottery Fund and Other Fund appropriations by Nov. 3. DEQ testified on the impact of budget reductions at our agency to the Joint Committee on Ways and Means Natural Resources Subcommittee on Nov. 18.

DEQ staff will present to the commission on the criteria used to identify reduction options and the impact on Oregon communities if those reductions are realized.

2027-2029 Agency Request Budget Development

DEQ, like most state agencies, has begun preparing its 2027-2029 Agency Request Budget. DEQ staff will brief the commission on the agency's approach to this work, including work underway to evaluate pressing resource needs as the basis for our next Agency Request Budget.

With input from the commission and the agency's many customers and partners, DEQ will develop policy option packages to address key resource and programmatic needs. The agency will also develop legislative proposals for consideration by the Governor, to be introduced on the agency's behalf. Key considerations in the early phase of budget development include:

- The financial health and stability of fee-funded programs
- Resource needs associated with implementing existing programs and legislative mandates
- Resource and other needs associated with addressing high-priority and emerging environmental and public health issues
- Alignment with Governor Kotek's priorities

The Director's Office is responsible for managing community and stakeholder engagement to inform budget development. Values for this work include:

- Connecting early and often with all interested parties
- Reaching communities most impacted by DEQ decisions and work
- Ensuring broad access and robust participation in the development of the budget

EQC involvement

DEQ welcomes commission input on the process for Agency Request Budget development and on the agency's priorities to consider.

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DEQ will brief the commission in Spring 2026 with a preliminary list of concepts under consideration for inclusion in the Agency Request Budget.

The commission has a formal role in authorizing the Chair to certify the accuracy and validity of the Agency Request Budget before it is submitted to the Governor in September 2026.

Supporting materials

- A. [DEQ 5% Reduction Options Submittal](#)
- B. [Nov. 19, 2025, Economic and Revenue Forecast](#)

Report prepared by: Matthew Davis, Policy and External Affairs Administrator

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