



Oregon

John A. Kitzhaber, MD, Governor

Department of Environmental Quality

Headquarters

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April 3, 2013

The Honorable Sen. Chris Edwards, Co-Chair
The Honorable Rep. Ben Unger, Co-Chair
Joint Committee on Ways and Means - Subcommittee on Natural Resources
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Honorable Senator Edwards and Representative Unger:

DEQ submits the following information in response to questions that were raised at the April 2, 2013, public hearing related to our budget:

1. How will federal sequestration affect DEQ?

See Attachment A

We are happy to provide any additional information you may need or to answer any other questions you may have.

Sincerely,

Dick Pedersen
Director

Attachments

Attachment A - Federal Sequestration and Continuing Resolutions

On March 5, 2013, EPA Region 10 provided Oregon DEQ with some details of federal sequestration reductions, equal to roughly 5 percent of federal fiscal year 2013 funding. Since this letter was received by DEQ, both the United States House and Senate passed budget legislation that maintained the overall size of the sequestration budget reductions, but provided federal agencies some more flexibility in implementing the reductions. DEQ has not received any additional information in terms of whether the flexibility allowed by the budget legislation will change the distribution of reductions relayed in the March 5 letter.

The funding impact detailed in EPA’s letter totals \$1,310,000 split between reductions affecting DEQ operations (\$498,000) and the Clean Water State Revolving Fund capitalization grants (\$812,000)

Details of the grants affected:

SEQUESTRATION DETAILS FOR DEQ					
Air Quality	\$184,510				
	State and local AQ management (105)			\$	175,710
	Clean Diesel			\$	8,800
WQ	\$264,650				
	WQ Non point source			\$	108,600
	WQ Section 106 grant			\$	150,550
	WQ Underground Injection Control			\$	5,500
LQ	\$ 49,400				
	HW RCRA Grant			\$	40,500
	UST Grant			\$	8,900
WQ-CWSRF	\$811,750				
	Clean Water SRF Capitalization Grants			\$	811,750

DEQ estimates that the impact of sequestration will be mainly felt in the 2013-15 biennium, as actual grant reductions will likely occur late spring or early summer, prior to the close of the federal fiscal year on September 30, 2013. DEQ plans to implement any one time or permanent federal funding cuts as part of its operating budget execution plan for the 2013-15 LAB, coordinating decisions regarding how to implement such reductions with other impacts to General Fund resulting from legislative session and any changes to Other Fund activities resulting from updated revenue projection.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 10
1200 Sixth Avenue, Suite 900
Seattle, WA 98101-3140

OFFICE OF THE
REGIONAL
ADMINISTRATOR
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MAR 12 2013

Oregon DEQ,
Office of the Director

March 5, 2013

Dick Pedersen, Director
Oregon Department of Environmental Quality
811 SW Sixth Avenue
Portland, Oregon 97204

Dear Dick Pedersen:

As you know, the American Taxpayer Relief Act of 2012 mandates across-the-board spending cuts, known as sequestration, be ordered on March 1, 2013. As required by law, the President issued a sequestration order cancelling billions in budgetary resources across the federal government for the remainder of the federal fiscal year. Subsequent to that order, the U.S. Environmental Protection Agency's Acting Administrator, Bob Perciasepe, sent a letter to your Governor addressing the importance of the agency's relationships with the states. It is also important that we establish and maintain direct communications about what these budget cuts mean for the agency, your state, and other stakeholders.

As a result of sequestration, the agency's overall budget will be reduced for the remainder of the fiscal year, impacting our employees and our programs. Programs such as the Clean Water and Drinking Water State Revolving Funds, and grants for air pollution programs under Section 105 of the Clean Air Act, will be affected by a reduction in funding. In addition, the sequester will affect the amount of discretionary grant funding to States, including reductions in awards for Superfund, Brownfields, pollution prevention, wetlands program development, research and development and community work. In the face of these reductions, the agency is doing everything possible to protect mission-critical activities to the greatest extent possible. Should Congress take subsequent actions that change the level or nature of these reductions, I am committed to working closely with you to manage any changes affecting our State partners.

Enclosed with this letter is an estimate of the FY 2013 reductions for selected grants your department receives from the EPA. As you are aware, some EPA grants are competitive or are for other reasons not distributed by state at the beginning of the fiscal year. Those funds are not included in these estimates.

I thank you for your continued support and partnership with the EPA, and for your cooperation as we work together to manage these unfortunate circumstances. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis J. McLerran".

Dennis J. McLerran
Regional Administrator

Enclosure

**Estimated FY 2013 Reductions for Selected Grants Received from the EPA by the Oregon
Department of Environmental Quality**

Program Code	Grants Received	FY 2013 Level (Dollars in Thousands)	Level after Seq.	Delta
D	Categorical Grant: Hazardous Waste Financial Assistance	\$810.00	\$769.50	\$40.50
C9	Categorical Grant: Nonpoint Source (Sec. 319)	\$2,172.00	\$2,063.40	\$108.60
I	Categorical Grant: Pollution Control (Sec. 106)	\$3,011.00	\$2,860.45	\$150.55
XA	Categorical Grant: State and Local Air Quality Management	\$3,514.10	\$3,338.40	\$175.71
G	Categorical Grant: Underground Injection Control (UIC)	\$110.00	\$104.50	\$5.50
L	Categorical Grant: Underground Storage Tanks	\$178.00	\$169.10	\$8.90
DS	Diesel Emissions Reduction Grant Program	\$176.00	\$167.20	\$8.80
CS	Infrastructure Assistance: Clean Water SRF	\$16,235.00	\$15,423.25	\$811.75