



March 13, 2017

PUBLIC TESTIMONY

RE: AOI – OBA Testimony on DEQ 2017 – 2019 Budget (SB 5518) Before the Joint Ways and Means Subcommittee on Natural Resources

Co-Chair Fredrick and Co-Chair Witt:

Thank you for providing Associated Oregon Industries and Oregon Business Association the opportunity to provide testimony on the Oregon Department of Environmental Quality's (DEQ) 2017-2019 biennial budget request outlined in SB 5518.

Associated Oregon Industries (AOI) and Oregon Business Association (OBA) are collectively the state's largest general business organizations, representing over 1,600 member businesses that employ nearly 250,000 Oregonians. Our diverse membership recognizes that Oregon's environment is one of our great assets. It's intertwined with our history, identity, and economic development designed to attract new companies and talent. Nobody has a more urgent mandate to act in an environmentally responsible way than we do. Our values and those of our workers and the communities we call home demand no less.

To achieve those values, Oregon businesses have long supported increased funding for our state natural resource agencies that have, in recent history, been underfunded and succumbed to other state priorities. This support has included accepting fee increases for air, water, and land programs. Unfortunately, at this moment in time, our association members are not in a position in which they can support DEQ's current budget priorities, particularly several the proposed policy option packages (POPs) identified below.

It is without question that DEQ is a vital agency for all Oregonians – businesses and communities alike. We are very pleased that the agency once again has a permanent director capable of leading the agency through these challenging times. Our appreciation of Director Whitman's willingness to serve the state cannot be understated and we look forward to continuing to work with him and the talented DEQ staff to resolve those challenges together. Whether it is air, water or land related, we are all in this together.

In looking forward, our members have a number of concerns, including the budget realities of a water program plagued with constant environmental activist

litigation to complexities of creating a new, complex, and a potentially problematic air program incapable of working for either businesses or communities. Before the regulated community and fee payers can endorse any budget, including DEQ's, it needs a clear understanding of regulatory expectations, program outcomes, measurements for success and anticipated fee support. This budget lacks significant detail capable of informing our members. For that reason, and the reasons explained below, we are not able to support DEQ's budget in its current form, particularly the following policy option packages:

Air Quality Policy Option Packages

As demonstrated by DEQ, air toxics emissions are on a downward trend in both large and small communities. This demonstrates the success of our current air quality program, despite continued funding constraints. However, we know that the agency has prioritized "overhauling" Oregon's air quality programs with little detail beyond "to be determined." Yet, the agency is asking for considerable new resources from both the state tax payers and fee payers to presumably build a program that the state and fee payers may not be able to financially support into the future. Because the agency cannot demonstrate (1) the future costs, (2) regulatory details, and (3) overall implications to regulated entities, we cannot yet support many of the air related POPs.

- **POP 110 [ACDP Fee Increase]**: This POP proposes to increase fees for ACDP air permits by 22% this biennium. This is on top of other possible fee increases that are yet to be identified in HB 2269 and other fee increases in POP 112 and 116. Not to mention, this is in addition to the 20% fee increases ACDP permit holders accepted in 2013. Regulated businesses (and we believe Legislators) need to understand not only the total collective fee increases to ACDP holders, but also anticipated future obligations before we can support this POP.
- **POP 112 [Community Response]**: The community response POP proposes to raise fees – 4% for ACDP and Title V permit holders – to improve response to community concerns. In our view, this is an inappropriate use of fee dollars and should be supported by the General Fund or other resources. This is a service for the general public and should be supported by tax payers, not permit holders. Moreover, while we appreciate the agency responding to community concerns, the agency must recognize that the response to concerns also places a cost on our law-abiding businesses as they work with the agency through complaints. This POP should not be supported by fees.
- **POP 113 [Monitoring Improvements]**: Like DEQ's budget, historically the business community has advocated for increasing the agency's monitoring capabilities. Under Oregon's current program, we would continue to push

for more monitoring resources. Unfortunately, we do not know what a future program may entail and what resources may be required to support the program. Therefore, we cannot say with confidence whether DEQ's POP 113 is the best use of limited agency resources.

- POP 116 [Cleaner Air Oregon]: AOI and OBA volunteer on the Cleaner Air Oregon (CAO) Rules Advisory Committee (RAC). Even as participants, the details of a future program are ill-defined. Until the agency can demonstrate the size, scope, and applicability of the program, we cannot support a fee increase of \$1,541,171 and the 11 positions that go with that fee increase. Our opposition includes any fee or position authority outlined in HB 2269.

Water Quality Policy Option Packages

The challenges in the water quality program are no secret. Those challenges impact both the agency and those regulated under these programs. For that reason, we do not oppose a modest fee increase to support important agency work. However, POP 125 does not specifically identify the percentage fee increase our members will pay and it isn't clear whether this fee increase will be in addition to any other regulatory fee increases authorized by rule. Before we can support this POP, we need a better explanation of the fee increase amount and how those fees will be utilized.

New Programs

Lastly, we strongly encourage the agency and the legislature to avoid adopting any new programs under this agency. The agencies core mission and responsibilities continue to be hampered by growing number of new complex programs. Consequently, we urge this legislature to focus on fully funding current core programs first and not expanding the agencies responsibilities or diluting the agency's budget by duplicating work in separate state agencies.

Thank you for your consideration.

Sincerely,



Michael Freese
VP, Environment Energy Transportation
Associated Oregon Industries