

2017 Legislative Session
AGENCY FISCAL IMPACT STATEMENT FORM
(See instructions for completing form)

Please complete this form, and return one copy each to the Legislative Fiscal Office (LFO) and the Budget and Management Division (BAM).

Agency Name: Department of Environmental Quality
Preparer Name/Title: Karen Tarnow
Preparer Phone #: 503-229-5988
Date Submitted: 3-24-17

Measure #: SB 3 Version: - 8

- No fiscal impact** The absence of an expenditure or revenue (non-tax) impact.
- Minimal Impact** A fiscal impact that can be absorbed with existing agency resources.
- Fiscal Impact** A fiscal impact determined to be greater than a minimal fiscal impact.

The budgetary impact of this bill was reviewed and approved by the Interim Joint Committee on Ways and Means to be recommended to be included in the omnibus budget bill.

Yes _____ No X

Is the bill anticipated by the Governor's Recommended Budget as a Policy Option Package? If yes, please identify the Policy Option Package name and number in your written analysis.

Yes _____ No X

AGENCY WRITTEN ANALYSIS:

BILL DESCRIPTION

SB 3 with the -8 amendments repeals the suction dredge mining moratorium replaces it with permanent suction dredge mining restrictions in ESH waters, effective on January 1, 2018.

The bill requires DEQ to require certain information from permit applicants, including an affirmation that the applicant reviewed information about cultural resource preservation and best management practices for in-stream placer mining operations. The bill establishes limits on the timing of dredging activity within 1,000 feet of a residence or campground, and restricts suction dredge intake nozzles to four inches or less. The bill also allows DEQ to specify additional permit conditions to prevent, to the extent feasible, deleterious impacts to freshwater mollusks, salmon and lamprey, and makes violation of this law or a suction dredge permit a Class A violation.

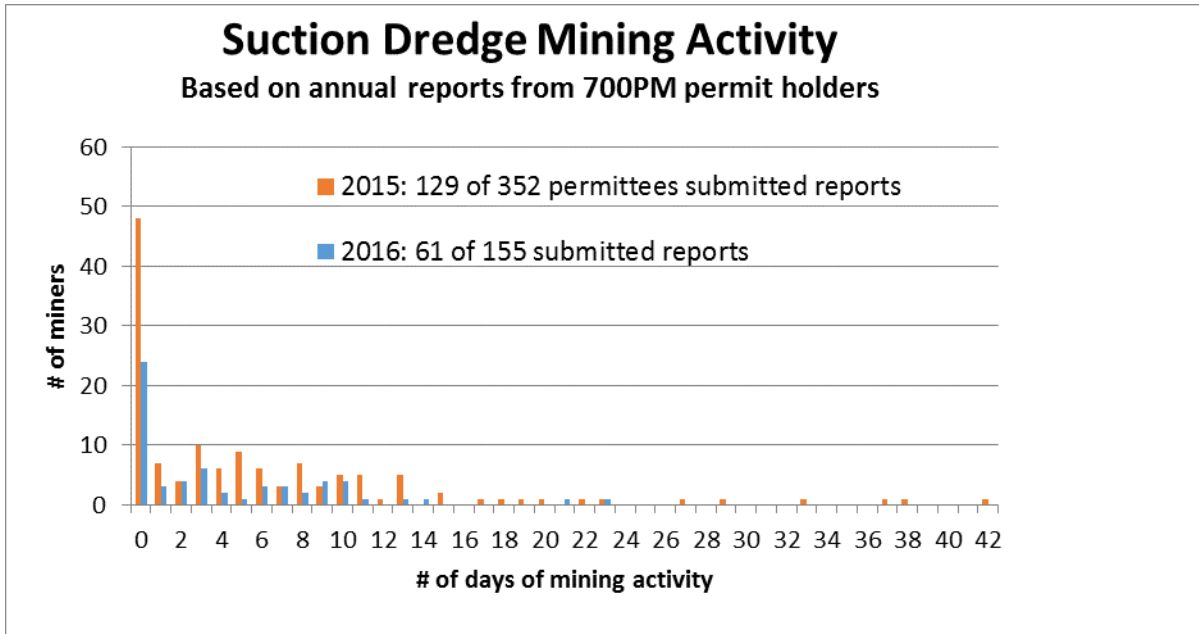
Currently, suction dredge miners pay a \$25 annual fee to register for coverage under DEQ's 700PM suction dredge general permit. The bill increases the annual fee to \$250 and establishes a \$250 fee for permit applications or renewals, which typically occurs once every five years. The bill requires that any moneys remaining in the Suction Dredge Study Fund be transferred to DEQ to be used in the same manner as permit fees. This Fund was fully expended in 2016.

REVENUE ESTIMATE

In 2016, the first year of the SB 838 moratorium on suction dredge mining in ESH and bull trout habitat, 156 people paid \$25 to register for coverage under the 700PM general permit. Given that the restricted waters under SB 3 -8 will be slightly more expansive than under the moratorium and that the annual fee increases to \$250, DEQ expects there will be fewer people applying for coverage in the future. To develop

a revenue estimate we'll assume that only miners who mined for a week or more each year will pay \$250 for a permit.

Based on data from annual reports submitted by permittees, only 30 percent of the registrants typically dredge for seven or more days a year (see chart below). Thirty percent of 156 (number of registrants in 2016) is 47. At \$250 per registrant, this amounts to \$11,750 in fee revenue per year or \$23,500 per biennium.



The 700PM permit must be renewed every five years. Miners will need to pay \$250 to renew coverage before the current permit expires on January 1, 2020. The renewal fee is in addition to the annual fee, which means that in 2020 and every five years after that, DEQ would receive additional revenue.

FISCAL IMPACT

DEQ must undertake the following work in order to be prepared to make a general permit available to suction dredge miners in 2018:

- inform current permit holders of the new provisions, if the bill passes
- revise the suction dredge permit document to include the new non-water quality based limitations
- revise the suction dredge permit application
- update the website and other communication material, including information on best management practices and cultural resource preservation
- update the permit information management system (WQSIG) to reflect the new fees

DEQ estimates this work will require 32 hours of NRS4, 3 hours of PAS2, 8 hours of AS1 and 20 hours of ISS6. This is one-time work that will be absorbed by existing staff. This is based on the assumption that information on best management practices and cultural resource preservations is available from other state agencies (e.g., SHPO and ODFW) or other appropriate organizations, and would require a relatively light investment of effort to make it available to permit applicants via the internet or at DEQ offices.

In addition to the work described above, DEQ has ongoing responsibilities related to 700PM permit issuance and oversight.

Permit issuance, at a minimum, involves processing applications and payments, and renewing the 700PM general permit every five years. Processing permit applications and payments takes an average of about two hours a year per permit. General permit renewal is typically an 18 month process involving extensive research, public involvement, permit writing, legal review, public notice of draft permit and response to comments, revising permit applications and reporting templates, developing communications materials and conducting outreach to miners and state/federal agencies to educate them on changes. This work is led by an NRS4 spending 80 percent of their time on the project, with support from a variety of administrative, technical and managerial staff. The cost of the NRS4 alone is approximately \$240,000, and this cost would be incurred every five years.

- The annualized cost for 700PM permit processing and renewal is over \$50,000 per year.
- Total estimated annualized fee revenue for 47 permit registrants based on fees established by SB 3 -8 is \$14,100 per year. This includes the \$250 annual fee plus the annualized cost of the \$250 renewal fee that will be paid every five years.
- Anticipated 700PM fee revenue amounts to less than one-third of DEQ's costs for permit processing and renewal. Costs that are not covered by 700PM permit fees are being subsidized by other wastewater permittees.

Permit oversight, at a minimum, involves responding to questions about mining regulations and how to comply with permits, assessing compliance with permit requirements and initiating enforcement procedures when necessary.

DEQ cannot currently fulfill its responsibilities for oversight of permitted suction dredge mining operations and is unable to afford additional FTE to do this work. DEQ currently has 0.30 FTE dedicated to technical assistance and oversight of suction dredge mining and is unable to dedicate more FTE to this work due to other mandatory and high priority work in the wastewater permitting program. At the current staffing level, DEQ is able to do little more than responding to questions and referring complaints to State Police. DEQ does not have any resources to provide compliance oversight or facilitate interagency coordination between state and federal natural resource agencies, land management agencies and law enforcement officials.

For this reason, DEQ is requesting a full time, permanent NRS2 position to serve as the agency's point person on mining operations. This position would be responsible for providing technical assistance and oversight for suction dredge mining and assist with 700PM permit renewals. This position would also assist with work related to upland placer mining and hard rock mining. The position would be funded on a mix of Other Fund and General Fund. The duties of this position include the following:

- develop materials and procedures associated with implementing SB 3 (e.g., permit applications, agency/public review procedures, outreach documents, web tools, etc.).
- improve DEQ's systems for managing mining permit information
- assist with the renewal of placer mining general permits
- provide training on mining permits/regulations for state, federal and tribal resource managers and law enforcement officers
- develop tools and procedures for evaluating, tracking and reporting on compliance with permit requirements
- ongoing program management including permit issuance, technical assistance, compliance oversight, enforcement referrals, complaint response, monitoring and reporting

Even with this position, DEQ does not expect to be able to have any significant field presence to observe mining operations and evaluate compliance with permit conditions. DEQ will continue to rely largely on Oregon State Police for identifying and addressing noncompliance issues.

AGENCY QUANTITATIVE ANALYSIS

Provide a detail description of the proposed legislation's effect on expenditures, revenues, and full time equivalent (FTE) positions. The table below is an embedded Excel worksheet. To fill out the form, place your mouse on the table; right click; select Worksheet Object and Open. If your analysis is number intensive, you may want to use just the Excel version of this template.

AGENCY NAME Department of Environmental Quality				Measure Number-Version SB3-8			
No fiscal impact		Preparer Name/Title: George Comett Financial Analyst/Nick Cimmiyotti - Lead Senior Financial Analyst					
Minimal Impact		Preparer Phone #: 503-229-6157					
<input checked="" type="checkbox"/> Fiscal Impact		Date Submitted: 3/23/2017					
Effect on Expenditure (by Fund and Category):							
	General Fund	Lottery Funds	Other Funds	Federal Funds	NL Other Funds	NL Federal Funds	TOTAL FUNDS
2017-19 Biennium							
Personal Services	\$ 153,582	\$ -	\$ 15,331	\$ -	\$ -	\$ -	\$ 168,913
Services and Supplies	\$ 62,244	\$ -	\$ 6,994	\$ -	\$ -	\$ -	\$ 69,237
Special Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 215,825	\$ -	\$ 22,325	\$ -	\$ -	\$ -	\$ 238,150
	General Fund	Lottery Funds	Other Funds	Federal Funds	NL Other Funds	NL Federal Funds	TOTAL FUNDS
2019-21 Biennium							
Personal Services	\$ 161,987	\$ -	\$ 16,171	\$ -	\$ -	\$ -	\$ 178,158
Services and Supplies	\$ 65,650	\$ -	\$ 6,554	\$ -	\$ -	\$ -	\$ 72,204
Special Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 227,637	\$ -	\$ 22,724	\$ -	\$ -	\$ -	\$ 250,361
Effect on Revenues (by Fund):							
	General Fund	Lottery Funds	Other Funds	Federal Funds	NL Other Funds	NL Federal Funds	TOTAL FUNDS
2017-19 Biennium	\$ 215,825	\$ -	\$ 23,500	\$ -	\$ -	\$ -	\$ 239,325
2019-21 Biennium	\$ 227,637	\$ -	\$ 35,250	\$ -	\$ -	\$ -	\$ 262,887
Effect on Position(s) / FTE(s):							
Months of Impact		2017-19		2017-19		2019-21	
	2017-19	2019-21	Position Count	FTE	Position Count	FTE	
	24	24	1	1.00	1	1.00	
Please complete detail Personal Services information using "PS Calculation" tab.							
The budgetary impact of this bill was reviewed and approved by the Interim Joint Committee on Ways and Means to be recommended to be included in the omnibus budget bill.						Yes	<input checked="" type="checkbox"/> No
Is the bill anticipated by the Governor's Recommended Budget as a Policy Option Package? If yes, please identify the Policy Option Package name and number in your written analysis.						Yes	<input checked="" type="checkbox"/> No