

HB 5017 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

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Reviewed By: John Terpening, Legislative Fiscal Office

**Department of Environmental Quality
2019-21**

PRELIMINARY

Budget Summary*

| | 2017-19 Legislatively Approved Budget ⁽¹⁾ | 2019-21 Current Service Level | 2019-21 Committee Recommendation | Committee Change from 2017-19 Leg. Approved | |
|-------------------------------------|---|----------------------------------|-------------------------------------|--|--------------|
| | | | | \$ Change | % Change |
| General Fund | \$ 44,098,803 | \$ 42,986,662 | \$ 46,793,384 | \$ 2,694,581 | 6.1% |
| General Fund Debt Service | \$ 4,658,847 | \$ 5,690,130 | \$ 5,690,130 | \$ 1,031,283 | 22.1% |
| Lottery Funds | \$ 4,732,711 | \$ 5,332,415 | \$ 5,332,415 | \$ 599,704 | 12.7% |
| Other Funds Limited | \$ 194,863,032 | \$ 202,486,131 | \$ 218,198,901 | \$ 23,335,869 | 12.0% |
| Other Funds Nonlimited | \$ 115,898,800 | \$ 132,200,000 | \$ 132,200,000 | \$ 16,301,200 | 14.1% |
| Other Funds Debt Service Nonlimited | \$ 15,787,887 | \$ 5,828,330 | \$ 15,848,330 | \$ 60,443 | 0.4% |
| Federal Funds Limited | \$ 29,266,525 | \$ 30,144,724 | \$ 29,524,125 | \$ 257,600 | 0.9% |
| Total | \$ 409,306,605 | \$ 424,668,392 | \$ 453,587,285 | \$ 44,280,680 | 10.8% |

Position Summary

| | | | | |
|--------------------------------------|--------|--------|--------|-------|
| Authorized Positions | 766 | 735 | 776 | 10 |
| Full-time Equivalent (FTE) positions | 737.17 | 726.84 | 758.80 | 21.63 |

⁽¹⁾ Includes adjustments through December 2018

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Department of Environmental Quality (DEQ) receives 10.0 percent of its revenues from the General Fund and 6.2 percent from Federal Funds. The Department also receives Measure 76 Lottery Funds from the Oregon Watershed Enhancement Board, which totals 1.0 percent of available revenues. In the 2019-21 biennium, Other Funds Limited will provide 43.4 percent and Other Funds Nonlimited will provide 39.5 percent of available revenues. The Other Funds Limited revenue is derived mostly from licensing and permit fees and to a lesser extent by charges for services. The Department's 2019-21 budget assumes fee adjustments for air contaminant discharge permits, the air toxics program permits, wastewater permitting, underground storage tank fees, underground injection control permits, hazardous waste fees, oil spill prevention fees, and establishment of new fees for high hazard rail. The Other Funds Nonlimited revenue is tied to the Clean Water Revolving Loan Fund and includes proceeds from bond sales, loan repayments, Federal Funds treated as Other Funds, and interest earnings on that revenue.

Summary of Natural Resources Subcommittee Action

The Department restores, maintains, and enhances the quality of Oregon's air, water, and land. DEQ regulates industrial air pollution, conducts vehicle emissions testing, sets and enforces water quality standards, monitors river basins, measures groundwater quality, and regulates waste discharges from city sewage treatment and industrial facilities. It also regulates hazardous waste disposal, promotes solid waste reduction, regulates underground storage tanks, and enhances environmental cleanup.

The Subcommittee recommended a total funds budget of \$453,587,285 and 776 positions (758.80 FTE). The budget includes \$52,483,514 General Fund, \$5,332,415 Measure 76 (M76) Lottery Funds, \$218,198,901 Other Funds expenditure limitation, \$148,048,330 Other Funds Nonlimited, and \$29,524,125 Federal Funds expenditure limitation.

Air Quality Program

This program ensures Oregon meets all federal ambient air quality standards by regulating, detecting, monitoring, and analyzing data and enforcing air protection law. The Program is responsible for air quality policy, planning, and rule development. It operates the Vehicle Emission Inspection Program in the Portland Metropolitan area and in Medford. The Subcommittee recommended a total funds budget of \$110,380,040 and 256 positions (246.31 FTE). The Subcommittee approved the following Budget Note related to the Vehicle Inspection Program:

Budget Note:

Vehicle Inspection Program - While no fee increase to the Vehicle Inspection Program is included at this time, if the Department is to contemplate a fee increase in the future, the Department is directed to determine the most cost-effective method of conducting the program as required by ORS 468A.370. The Department is further directed to maintain the existing Vehicle Inspection Program stations and continue the current hours those stations are open to the public with the level of staffing provided by the 2019 Legislature.

The Subcommittee recommended the following packages:

Package 070, Revenue Shortfalls. This package reduces position authority, as well as Other Funds expenditure limitation by \$1,383,610, to adjust expenditures to expected revenues at current service level. The package permanently eliminates eight positions (8.00 FTE) from the Vehicle Inspection Program along with Services and Supplies.

Package 111, Oversee Electric Vehicle Rebate Program. This package increases Other Funds expenditure limitation by \$5,749,259 and adds a permanent Program Analyst 3 position (1.00 FTE) to provide continued management and oversight of the electric vehicle rebate program. The rebate program was established in House Bill 2017 (2017), which directed DEQ to develop and implement a rebate program to incentivize Oregonians to purchase or lease electric vehicles. A tax on the sale of new electric vehicles funds the rebate program. The bill directs the Department of Revenue to transfer the first \$24 million in revenue per biennium to DEQ for rebates and program administration. DEQ will utilize

a third-party vendor for most of the rebate functions, including education and outreach. Payment to the vendor is anticipated to be around \$1.6 million in 2019-21. Of the limitation provided, \$229,717 is for the Program Analyst position while the remainder will bring the total limitation for 2019-21 up to the full \$24 million expected from the Department of Revenue.

Package 114, Reduce Wood Smoke Pollution. This package provides a one-time \$500,000 General Fund appropriation to support local efforts to reduce wood smoke in communities violating or at risk of violating federal air quality standards. The Environmental Protection Agency (EPA) designates areas that do not meet national ambient air quality standards as “nonattainment.” Having EPA declare a community as nonattainment triggers legal requirements imposed on new and potentially existing industry. Currently, Klamath Falls and Oakridge have the nonattainment designation. Lakeview, Prineville, Medford, Eugene, Hillsboro, La Grande, and Burns are at risk of exceeding federal fine particulate standards. DEQ's base budget includes \$172,000 to support local programs regarding wood smoke.

Package 116, Eliminate Air Quality Backlog. This package provides \$636,574 Other Funds expenditure limitation and includes eight permanent positions (3.66 FTE) that are phased-in to coincide with a fee increase to the state Air Contaminant Discharge Permit (ACDP). The eight positions are to specifically address the air quality permitting backlog in which a 2018 Secretary of State audit found 40 percent of both the federal Title V and state ACDP permits are not renewed on time.

Six of the positions are permit writers funded through the ACDP fee increase and two positions are for work related to Title V permits. The package also assumes an ACDP fee increase anticipated to be around a 70 percent increase to generate approximately \$3.1 million in revenue in 2019-21 and would be sufficient for the next two biennia. The current projected 2019-21 ending fund balance for ACDP is negative without a fee increase. The last ACDP fee increase was 20 percent in 2014. Title V fees do not need an increase as statute allows DEQ to annually adjust Title V fees equal to the consumer price index. The estimated roll-up costs for 2021-23 for the 8.00 FTE is \$2,028,879.

Package 119, Implement Air Toxics Permitting Program. This package includes \$2,581,253 Other Funds expenditure limitation and makes permanent 11 positions (11.00 FTE) that were limited duration, to implement the air toxics permitting program known as Cleaner Air Oregon. During the 2018 Legislative Session, Senate Bill 1541 authorized the 11 limited duration positions for DEQ and expenditure limitation to support 2.60 FTE for Oregon Health Authority (OHA) to finish development and begin implementation of the air toxics permitting program.

Senate Bill 1541 also authorized the Environmental Quality Commission (EQC) to establish a schedule of fees sufficient to cover direct and indirect costs of implementing Cleaner Air Oregon. The fee schedule for this program was adopted by the EQC in November and are included in House Bill 5018 for ratification. The fees will create an annual base fee and a one-time activity fee. The fees are set at the statutory cap of 35 percent over base permit fees paid in 2018. This cap is in place until 2024.

Package 801, LFO Analyst Adjustments. This package eliminates two vacant positions and fund shifts \$222,273 General Fund and \$39,101 Federal Funds from Personal Services to Services and Supplies within the Air Quality program for the laboratory. The fund shift has a net zero

effect on the overall budget for 2019-21. The two positions were long-term vacancies being held open to fund other lab activities, including contracting with operators to monitor rural air toxic monitoring stations.

This package also includes a comprehensive reclass package involving nine positions within the Air Quality program including moving a position from the Land Quality Division. The net effect of this reclassification for the Air Quality Division is an increase in Other Funds expenditure limitation of \$202,388, a decrease in Federal Funds expenditure limitation of \$1,247, and an increase of one position (1.00 FTE).

Finally, this package eliminates an administrative support position for the Cleaner Air Oregon program, totaling \$221,246 General Fund, in order to relieve the General Fund.

Water Quality Program

The Water Quality Program works to achieve and maintain water quality. Program responsibilities include implementing the federal Clean Water Act, monitoring and regulating the use of water and wastewater, developing federally required plans for water quality standards, implementing the Oregon Plan for Healthy Salmon and Streams, providing financial and technical assistance, monitoring groundwater, and implementing the Safe Drinking Water Act. The Subcommittee recommended a total funds budget of \$74,461,124 and 241 positions (231.61 FTE). The Subcommittee recommended the following packages:

Package 070, Revenue Shortfall. This package reduces Federal Funds by \$673,381 and Other Funds by \$233,200 and eliminates four positions (4.00 FTE) to adjust expenditures to expected revenues at current service level. Of the four positions, three are federally funded and one is funded through Other Funds. Federal revenue associated with the Federal Clean Water Act has been declining in recent years.

Package 120, Minimize Impacts from Urban & Highway Stormwater. This package includes a \$421,696 General Fund appropriation to support two permanent full-time Water Quality Specialist Natural Resource Specialist (NRS)-2 positions (0.88 FTE each) to work with the municipal separate storm sewer systems (MS4) permits. The package also provides \$152,143 Other Funds expenditure limitation and a limited duration full-time NRS-4 Transportation Stormwater Specialist position (0.50 FTE) to work specifically on the Department of Transportation's (ODOT) MS4 stormwater permit renewal. ODOT and DEQ have reached an initial agreement to fund the full-time position for one year and will reconvene on supporting work for permit implementation and monitoring beyond that first year. If there are any adjustments to the position need, DEQ can make a request to the 2020 Legislature.

Package 122, Setting and Implementing WQ Standards. This package includes \$195,557 General Fund for a permanent full-time NRS-4 Water Quality Standards Specialist position (0.88 FTE) and \$296,717 Other Funds for a permanent full-time NRS-3 Water Quality Standards Analyst position (0.75 FTE). These positions will provide capacity for timely development and implementation of water quality standards that serve as the basis for clean water plans, also referred to as total maximum daily loads - TMDLs.

DEQ currently has three positions (2.80 FTE) working on water quality standards, which is the largest factor in permitting delays. The Other Funds for this package are derived from the fee increase assumed in Package 127 that is expected to generate \$1,170,185 in 2019-21 through an approximate 17 percent fee increase on wastewater permit fees. This increase is in addition to the annual three percent increase already assumed in the Department's budget.

Package 123, Harmful Algae Bloom Response and Assessment. This package includes a \$579,590 General Fund appropriation and two permanent full-time positions (2.00 FTE), a Chemist and a Project Manager. The positions, originally approved by the September 2018 Emergency Board, will monitor and analyze water samples as part of Oregon Health Authority's rules for drinking water testing around Harmful Algal Bloom.

Package 125, Effectively Managing the Clean Water State Revolving Loan (CWSRF) Portfolio. This package includes \$169,392 Other Funds expenditure limitation to establish a permanent Loan Specialist position (0.88 FTE) to ensure stable and efficient loan servicing and effective financial management of DEQ's CWSRF. The Loan Specialist will be responsible for loan application review, financial capability review, processing disbursement requests, performing eligible cost analysis, developing and maintaining accounting records, and tracking financial transactions within the CWSRF program. The position is funded through a 0.5 percent fee on unpaid principal balances of issued loans that goes in to the Administrative Fund for the program.

The CWSRF currently has 178 active loans and funds 10 to 15 new loans per year. There is only one other Loan Specialist who manages all aspects of the loans. Adding an additional Loan Specialist will alleviate some of the workload and allow for the program to invest time in process and service improvements as well as optimizing financial management of the loan fund.

Package 126, Klamath Basin Water Quality Improvements. This package includes \$232,603 General Fund and one permanent full-time NRS-3 position (0.88 FTE) to support efforts to improve water quality and aquatic habitat in the Klamath Basin.

Package 127, Water Quality Permit Program Improvements. This package includes \$913,132 General Fund and \$873,468 Other Funds for a total cost of \$1,786,600 in 2019-21. The package also includes nine permanent positions (6.76 FTE) phased-in to coincide with revenue from a fee increase. These positions are to improve DEQ's regulation of wastewater and stormwater discharges, including improved permit timeliness and quality. The positions include an Admin Specialist 1 (0.50 FTE), a Program Analyst 3 (1.00 FTE), three Natural Resource Specialist 3 positions (0.50 FTE each), two Natural Resource Specialist 2 positions (0.75 FTE each), a Natural Resource Specialist 1 position (0.50 FTE), an Information Systems Specialist-6 (0.88 FTE) and an Information Systems Specialist 2 (0.88 FTE).

DEQ has struggled with permit processing backlog for some time. In 2015, the Legislature directed DEQ to hire an independent consultant to review and make recommendations on how to improve permit quality and timeliness. Recommendations were made in 2016 with short-term and long-term solutions. One of the recommendations was a fee increase for Wastewater Permitting Program. The fee increase is anticipated to

fund this package and package 122, is anticipated to generate \$1,170,185 Other Funds revenue in 2019-21. The fee increase represents a 17 percent increase to wastewater permit fees and will retain the historical ratio of 60/40 fund split for this program between fees and General Fund support. The positions will work to ensure timely issuance of quality permits, verifying compliance with permit conditions, complying with federal e-reporting requirements, improving availability of permit and program information to the public, and improving opportunities for stakeholder engagement.

Package 128, Improving Water Quality Outcomes. This package includes a \$296,277 General Fund appropriation for one permanent Natural Resource Specialist 4 position (1.00 FTE) to increase capacity to produce information used for prioritizing and guiding watershed restoration efforts.

Package 129, Developing and Implementing Clean Water Plans. The package includes a \$772,096 General Fund appropriation to fund three permanent positions (2.64 FTE) to develop and issue clean water plans and enable DEQ to establish monitoring stations that provide real time water quality data to the public and decision makers. The positions are two Natural Resource Specialist 4 positions and a Program Analyst 4 all phased-in (0.88 FTE each) to develop and issue Total Maximum Daily Load (TMDLs). Currently, 2.80 FTE work on TMDLs, which supports permit issuance.

Package 163, Clean Water SRF Loan Management Software. This package provides \$500,000 one-time Other Funds expenditure limitation for the Department to work with the Oregon State Chief Information Officer to hire a contract Business Analyst to assist with project planning for eventual procurement of an off-the shelf loan management software to replace DEQ's manual and outdated systems. The replacement would provide a secure system that would increase efficiency, improve customer service and reduce the risk of errors. The primary source of funds for CWSRF are federal capitalization grants and repayments of principal and interest on existing loans. The main priority of CWSRF is to assist local governments by providing low interest loans for wastewater and other clean water investments.

Package 801, LFO Analyst Adjustments. This package includes a reduction of \$133,000 General Fund and the elimination of a vacant Natural Resource Specialist 5 groundwater hydrologist position to relieve General Fund. The work of the position will be covered by other similar positions in Water Quality and Land Quality Divisions.

This package also includes a comprehensive reclass package involving thirteen positions within the Water Quality Program and increasing a position from halftime to full-time. The net effect of this reclassification for the Water Quality Division is a decrease in Other Funds expenditure limitation of \$75,117, an increase in Federal Funds expenditure limitation of \$54,029, and an increase of 0.50 FTE. There are offsetting reductions in Services and Supplies for \$477 General Fund and \$3,839 Lottery Funds.

Finally, this package includes \$25,000 Other Funds revenue to reflect fee a seven percent increase for Underground Injection Control fees paid by owners and operators of injection wells. This fee increase was adopted administratively in September and is ratified through House Bill 5018. The fees have not been increased since establishment in 2007.

Land Quality Program

This program unit includes hazardous waste management and reduction, solid waste management and reduction, underground storage tank compliance, site assessment, site response, underground storage tank cleanup, spill prevention and management, voluntary cleanup, and policy and program development. The Subcommittee recommended a total funds budget of \$81,533,889 and 190 positions (192.60 FTE). The Subcommittee recommended the following packages:

Package 131, Maintain Heating Oil Tank Program. This package is contingent on passage of Senate Bill 40, which will increase heating oil tank fees anticipated to generate \$368,754 Other Funds revenue in 2019-21. Current fees are insufficient to fully fund the authorized four positions allocated to the program. Fees only support three positions at the current level of activity and the program does not have sufficient fund balance to continue without an increase. The license fees were last set in 1999 and certification fees were last raised in 2007.

Package 132, Maintain and Enhance Oil Spill Prevention. This package is contingent on passage of Senate Bill 41, which will increase oil spill prevention fees paid by vessels and oil pipelines transporting bulk petroleum. The revenue from the fee increase is anticipated to be \$1,074,981 in 2019-21. The revenue will support the existing 3.35 FTE in the program and the addition of a permanent full-time Information Systems Specialist 5 position (1.00 FTE) included in this package to assist with preparing plans for oil and hazardous material spill response. There is a corresponding increase of \$224,097 Other Funds expenditure limitation for the position. The last fee increase in this program was in 2015.

Package 133, Safe Transport of Hazardous Materials by Rail. This package is contingent on passage of House Bill 2209, which includes establishment of an annual fee of 0.05 percent of gross operating revenues of railroads as well as a fee of \$20 on railroad oil tank cars. The 2019-21 revenue estimate for the gross operating revenue funding is \$550,737, with fees starting January 1, 2020. Included in this package is \$461,394 Other Funds expenditure limitation and two permanent full-time positions (1.25 FTE) funded by the new fee for the purpose of planning, preparedness for, and response to oil and hazardous material spills along high hazard rail corridors. The positions are phased-in to coincide with expected revenue.

Package 136, Solid Waste Orphan Site Cleanups. The package includes \$3,147,316 Other Funds expenditure limitation and three limited duration positions (3.00 FTE) for Solid Waste Orphan Site Account (SWOSA) related work to support the increased use of the funds. Funding will be provided from existing revenues. In 1989, the Legislature created SWOSA to help pay for cleanup of “orphaned” sites where the disposal of solid waste resulted in the release of hazardous substances into the environment.

Since 1993, DEQ has collected \$0.13 per ton of all domestic solid waste disposed in Oregon or transported out of state for disposal. This fee provides funding for site investigations and cleanup actions. With the additional limitation, DEQ's plan of action is to inventory eligible solid waste disposal sites, prioritize the list statewide, investigate as needed, and commence cleanup work. At the end of the biennium, DEQ will evaluate if the need is ongoing and if so, may request the three positions to be made permanent in 2021-23 biennium.

Package 801, LFO Analyst Adjustments. This package includes an elimination of a regional solutions position in the Northwest Region Office totaling \$297,000 General Fund to relieve General Fund.

The package also includes a comprehensive reclass package involving eight positions within the Land Quality program including moving a position to the Air Quality Division. The net effect of this reclassification for the Land Quality Division is a reduction in Other Funds expenditure limitation of \$186,903 and a reduction of one position (0.50 FTE).

Finally, this package includes \$1,894,400 Other Funds revenue from a proposed fee increase to Hazardous Waste fees. The current fees no longer support the program and the program is expected to have a deficit by the end of the biennium. The proposal would increase the annual hazardous waste activity verification fee from \$300 to \$540 for small generators and \$525 to \$945 for large generators. The proposal also increases the fee for annual hazardous waste permits for storage, multi-disposal, and multi-treatment. The last time these fees were raised was 2007.

Agency Management Program

This program provides support to the Environmental Quality Commission. The program includes the Office of the Director, the Public Affairs Office, and the Management Services Division. The Management Services Division consists of the Administration, Business Office, Budget, and Human Resources functions. The Subcommittee recommended a total funds budget of \$33,473,772 and 89 positions (88.28 FTE). The Subcommittee approved the following Budget Notes related to the Agency Management Program:

Budget Note:

Clean Water State Revolving Fund Information System Project - For the Clean Water State Revolving Fund loan management software project, the Department is directed to continue to work closely with and regularly report project status to the Oregon State Chief Information Officer (OSCIO) and the Legislative Fiscal Office (LFO) throughout the projects lifecycle and to follow the Joint State CIO/LFO Stage Gate Review Process. The Department is directed to work with OSCIO and DAS to establish a contract for Business Analyst Services to develop business requirements and perform market research and alternative analysis for the project. If qualified project management services are not available within the Department, then these services should be contracted out to ensure a qualified management. The Department is directed to update and submit the project's business case, requirements and foundational project management documents to the OSCIO and LFO as part of Stage Gate 2 review and endorsement

and to report back to the Joint Legislative Committee on Information Management and Technology and the Joint Committee on Ways and Means on project progress in achieving Stage Gate 2 endorsement during the 2020 Legislative session.

Budget Note:

Electronic Data Management System Project - The Department is directed to return to the Legislature to request approval to proceed with project execution should the project scope be significantly modified, or project cost or schedule estimates increase by more than 10% from what was reported to the Joint Legislative Committee on Information Management and Technology.

Budget Note:

Business Operations - The Department of Environmental Quality (DEQ), under the direction of the Department of Administrative Services - Chief Financial Office (DAS CFO), is directed to undertake a comprehensive review of DEQ's accounting and budget structure through the Statewide Financial Management Application and its alignment with the Oregon Budget Information Tracking System. This review is to contemplate the following:

- 1) Alignment of budget structure and organizational structure
- 2) Alignment of the Department's current use of positions with legislatively authorized positions
- 3) Establishment of distinct budgeted operating areas for dedicated funds
- 4) Assessment of the current cost allocation system and solutions to reduce the number of cost allocations required
- 5) Assessment of the current calculation of indirect rate that funds the Agency Management budgeted division and solutions to provide a more stable funding model
- 6) Application of existing state accounting and budget reporting systems to reduce the reliance on antiquated and cumbersome internal processes

The Department and DAS CFO are to jointly report their findings to the Joint Committee on Ways and Means during the 2020 Legislative Session.

The Subcommittee recommended the following packages:

Package 140, Environmental Data Management System Projects. This package includes \$392,302 General Fund and \$2,449,485 Other Funds expenditure limitation and the continuation of seven limited duration positions (7.00 FTE) to continue the next phase of the Environmental Data

Management System (EDMS). EDMS will be an interactive, up-to-date and transparent system for permitting and business processes that will standardize and streamline internal processes.

In May, DEQ achieved Stage Gate 3 endorsement and approval with conditions from the Office of the State Chief Information Officer (OSCIO) and the Legislative Fiscal Office to proceed with software core system build. Core system implementation will include specific permitting and business functionality and is expected to create a stable foundation for future modules. The General Fund in this package represents costs of the project which are not eligible to be expended with bond proceeds. The Other Funds expenditure limitation provided in this package is to expend the carry-over revenue from the May 2018 bond sale. The Department has an additional request for \$5 million in bonds to be sold in May 2020, which is being considered in the Capital Construction Subcommittee. If approved, the revenue and additional limitation, including cost of issuance and debt service, will be included in the Bond Bill.

Package 143, Agency Auditor. This package includes \$285,277 total funds and adds a permanent full-time Internal Auditor 3 position (1.00 FTE). A 2017 Secretary of State assessment of DEQ identified nine findings and 22 risks to the Department. In recent years, DEQ has been unable to meet internal audit requirements for an agency of its size. Given the Secretary of State findings, backlog of internal audits, and new programs such as the VW Settlement, Electric Vehicle Rebates, and Cleaner Air Oregon, there is ample work for a full-time internal auditor. The funding mechanism for this position is General Fund and Other Funds via an indirect charge to each of the Department's program areas. The cost of the position is \$154,715 General Fund and \$130,562 Other Funds.

Package 801, LFO Analyst Adjustments. This package includes a comprehensive reclass package involving three positions within the Agency Management program. The net effect of this reclassification is an increase in Other Funds expenditure limitation of \$17,552.

Nonlimited

This program contains the Department's bond proceeds for its State Revolving Fund and Sewer Assessment Deferral Loan programs, as well as the Orphan Site bond program. The Clean Water State Revolving Fund provides below market interest rate loans to local municipalities for wastewater collection, treatment and disposal systems; nonpoint source water pollution control and for implementation plans for federally designated estuaries. The match is required to access federal grant funds for these purposes; the match rate is one state dollar for five federal dollars. The Subcommittee recommended a total funds budget of \$132,200,000 and no FTE. The Subcommittee approved the following package:

Package 181, Clean Water SRF Capitalization Loans and Bonds. This package is revenue only to include \$30,150,000 Nonlimited Other Funds from the issuance of bonds in order to issue \$30.0 million in Clean Water State Revolving Fund (CWSRF) loans. Without the funding provided in this request, DEQ would need to decline \$15.0 million per year in federal capitalization grants. The Federal Water Quality Act of 1987 created the state CWSRF. The federal act requires states to match federal dollars with state funds in an amount at least equal to 20 percent of the federal capital grant. DEQ issues General Obligation Bonds for the purpose of the match, which has been authorized by the state Bond Bill each

biennium. This funding ensures communities are provided with affordable financing options for wastewater treatment and other clean water projects. The Department has sufficient Nonlimited budget of \$132,200,000 for the 2019-21 biennium for this program. The debt service for this package is included in Package 191.

Pollution Control Bond Fund Debt Service

This program contains the Department's Limited and Nonlimited Debt Service for its State Revolving Fund (SRF) and Sewer Assessment Deferral Loan programs, as well as the Orphan Site bond program. The Subcommittee approved a total funds budget of \$21,538,460 and no FTE. The Subcommittee recommended the following package:

Package 191, Clean Water SRF Bond Debt Service. This package includes \$10,020,000 to obtain expenditure limitation to pay debt service for General Obligation Bonds issued to meet the state match for federal capitalization grants to maintain the Clean Water State Revolving Fund. This package covers \$10.02 million of debt service for bonds of short duration, which are fully redeemed during the 2019-21 biennium with no carryover into subsequent biennia. DEQ sources all debt service from interest earnings from the CWSRF program, which allows these General Obligation Bonds to seem "self-financed."

Summary of Maximum Supervisory Ratio

The Subcommittee reviewed the agency's proposed Maximum Supervisory Ratio of 1:10.25.

Summary of Performance Measure Action

See attached "Legislatively Approved 2019-2021 Key Performance Measures."

PRELIMINARY

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

**Department of Environmental Quality
Linnea Wittekind -- 503-378-3108**

| DESCRIPTION | GENERAL FUND | LOTTERY FUNDS | OTHER FUNDS | | FEDERAL FUNDS | | TOTAL ALL FUNDS | POS | FTE | |
|--|---------------|---------------|----------------|----------------|---------------|------------|-----------------|-----|--------|--|
| | | | LIMITED | NONLIMITED | LIMITED | NONLIMITED | | | | |
| 2017-19 Legislatively Approved Budget at Dec 2018 * | \$ 48,757,650 | \$ 4,732,711 | \$ 194,863,032 | \$ 131,686,687 | \$ 29,266,525 | \$ - | 409,306,605 | 766 | 737.17 | |
| 2019-21 Current Service Level (CSL)* | \$ 48,676,792 | \$ 5,332,415 | \$ 202,486,131 | \$ 138,028,330 | \$ 30,144,724 | \$ - | 424,668,392 | 735 | 726.84 | |
| SUBCOMMITTEE ADJUSTMENTS (from CSL) | | | | | | | | | | |
| SCR 340000-001 - Air Quality | | | | | | | | | | |
| Package 070: Revenue Shortfall | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ (1,146,686) | \$ - | \$ - | \$ - | (1,146,686) | (8) | (8.00) | |
| Services and Supplies | \$ - | \$ - | \$ (236,924) | \$ - | \$ - | \$ - | (236,924) | | | |
| Package 111: Oversee Electric Vehicle Rebate Program | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 191,217 | \$ - | \$ - | \$ - | 191,217 | 1 | 1.00 | |
| Services and Supplies | \$ - | \$ - | \$ 38,500 | \$ - | \$ - | \$ - | 38,500 | | | |
| Special Payments (6030 Dist. to NonGov't Units) | \$ - | \$ - | \$ 5,519,542 | \$ - | \$ - | \$ - | 5,519,542 | | | |
| Package 114: Reduce Wood Smoke Pollution | | | | | | | | | | |
| Services and Supplies | \$ 500,000 | \$ - | \$ - | \$ - | \$ - | \$ - | 500,000 | | | |
| Package 116: Eliminate the Air Quality Backlog | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 636,574 | \$ - | \$ - | \$ - | 636,574 | 8 | 3.66 | |
| Services and Supplies | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - | | | |
| Package 119: Implement Air Toxics Permitting Program | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 2,157,752 | \$ - | \$ - | \$ - | 2,157,752 | 11 | 11.00 | |
| Services and Supplies | \$ - | \$ - | \$ 423,501 | \$ - | \$ - | \$ - | 423,501 | | | |
| Package 801: LFO Analyst Adjustments | | | | | | | | | | |
| Personal Services | \$ (221,246) | \$ - | \$ 202,388 | \$ - | \$ (1,247) | \$ - | (20,105) | (2) | (2.00) | |
| SCR 340000-002 - Water Quality | | | | | | | | | | |
| Package 070: Revenue Shortfalls | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ (233,200) | \$ - | \$ (559,386) | \$ - | (792,586) | (4) | (4.00) | |
| Services and Supplies | \$ - | \$ - | \$ - | \$ - | \$ (113,995) | \$ - | (113,995) | | | |
| Package 120: Minimize Impact from Urban & Hwy Stormwater | | | | | | | | | | |
| Personal Services | \$ 281,426 | \$ - | \$ 114,143 | \$ - | \$ - | \$ - | 395,569 | 3 | 2.26 | |
| Services and Supplies | \$ 140,270 | \$ - | \$ 38,000 | \$ - | \$ - | \$ - | 178,270 | | | |
| Package 122: Setting and Implementing WQ Standards | | | | | | | | | | |
| Personal Services | \$ 117,731 | \$ - | \$ 234,777 | \$ - | \$ - | \$ - | 352,508 | 2 | 1.63 | |
| Services and Supplies | \$ 77,826 | \$ - | \$ 61,940 | \$ - | \$ - | \$ - | 139,766 | | | |
| Package 123: Harmful Algae Bloom Response and Assessment | | | | | | | | | | |
| Personal Services | \$ 390,789 | \$ - | \$ - | \$ - | \$ - | \$ - | 390,789 | 2 | 2.00 | |
| Services and Supplies | \$ 188,801 | \$ - | \$ - | \$ - | \$ - | \$ - | 188,801 | | | |
| Package 125: Effectively Managing the CWSRF Loan Portfolio | | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 135,952 | \$ - | \$ - | \$ - | 135,952 | 1 | 0.88 | |
| Services and Supplies | \$ - | \$ - | \$ 33,440 | \$ - | \$ - | \$ - | 33,440 | | | |

PRELIMINARY

| DESCRIPTION | GENERAL FUND | LOTTERY FUNDS | OTHER FUNDS | | FEDERAL FUNDS | | TOTAL ALL FUNDS | POS | FTE |
|--|--------------|---------------|--------------|------------|---------------|------------|-----------------|-----|--------|
| | | | LIMITED | NONLIMITED | LIMITED | NONLIMITED | | | |
| Package 126: Klamath Basin Water Quality Improvements | | | | | | | | | |
| Personal Services | \$ 156,695 | \$ - | \$ - | \$ - | \$ - | \$ - | 156,695 | 1 | 0.88 |
| Services and Supplies | \$ 75,908 | \$ - | \$ - | \$ - | \$ - | \$ - | 75,908 | | |
| Package 127: Water Quality Permit Program Improvements | | | | | | | | | |
| Personal Services | \$ 614,979 | \$ - | \$ 498,824 | \$ - | \$ - | \$ - | 1,113,803 | 9 | 6.76 |
| Services and Supplies | \$ 298,153 | \$ - | \$ 374,644 | \$ - | \$ - | \$ - | 672,797 | | |
| Package 128: Improving Water Quality Outcomes | | | | | | | | | |
| Personal Services | \$ 198,700 | \$ - | \$ - | \$ - | \$ - | \$ - | 198,700 | 1 | 1.00 |
| Services and Supplies | \$ 97,577 | \$ - | \$ - | \$ - | \$ - | \$ - | 97,577 | | |
| Package 129: Developing and Implementing Clean Water Plans | | | | | | | | | |
| Personal Services | \$ 547,026 | \$ - | \$ - | \$ - | \$ - | \$ - | 547,026 | 3 | 2.64 |
| Services and Supplies | \$ 225,070 | \$ - | \$ - | \$ - | \$ - | \$ - | 225,070 | | |
| Package 163: Clean Water SRF Loan Management Software | | | | | | | | | |
| Services and Supplies | \$ - | \$ - | \$ 500,000 | \$ - | \$ - | \$ - | 500,000 | | |
| Package 801: LFO Analyst Adjustments | | | | | | | | | |
| Personal Services | \$ (133,000) | \$ - | \$ (75,117) | \$ - | \$ 54,029 | \$ - | (154,088) | (1) | (0.50) |
| SCR 34000-003 - Land Quality | | | | | | | | | |
| Package 132: Maintain and Enhance Oil Spill Prevention | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 185,597 | \$ - | \$ - | \$ - | 185,597 | 1 | 1.00 |
| Services and Supplies | \$ - | \$ - | \$ 38,500 | \$ - | \$ - | \$ - | 38,500 | | |
| Package 133: Safe Transport of Hazardous Materials by Rail | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 324,394 | \$ - | \$ - | \$ - | 324,394 | 2 | 1.25 |
| Services and Supplies | \$ - | \$ - | \$ 137,000 | \$ - | \$ - | \$ - | 137,000 | | |
| Package 136: Solid Waste Orphan Site Cleanups | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 531,816 | \$ - | \$ - | \$ - | 531,816 | 3 | 3.00 |
| Services and Supplies | \$ - | \$ - | \$ 2,615,500 | \$ - | \$ - | \$ - | 2,615,500 | | |
| Package 801: LFO Analyst Adjustments | | | | | | | | | |
| Personal Services | \$ (297,000) | \$ - | \$ (186,903) | \$ - | \$ - | \$ - | (483,903) | 0 | (0.50) |
| SCR 34000-004 - Agency Management | | | | | | | | | |
| Package 140: Electronic Data Management System | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 929,238 | \$ - | \$ - | \$ - | 929,238 | 7 | 7.00 |
| Services and Supplies | \$ 392,302 | \$ - | \$ 1,520,247 | \$ - | \$ - | \$ - | 1,912,549 | | |
| Package 143: Agency Auditor | | | | | | | | | |
| Personal Services | \$ 111,311 | \$ - | \$ 111,312 | \$ - | \$ - | \$ - | 222,623 | 1 | 1.00 |
| Services and Supplies | \$ 43,404 | \$ - | \$ 19,250 | \$ - | \$ - | \$ - | 62,654 | | |
| Package 801: LFO Analyst Adjustments | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 17,552 | \$ - | \$ - | \$ - | 17,552 | 0 | 0.00 |

| DESCRIPTION | GENERAL FUND | LOTTERY FUNDS | OTHER FUNDS | | FEDERAL FUNDS | | TOTAL ALL FUNDS | POS | FTE |
|---|---------------|---------------|----------------|----------------|---------------|------------|-----------------|------|--------|
| | | | LIMITED | NONLIMITED | LIMITED | NONLIMITED | | | |
| SCR 34000-009 - PCBF Debt Service | | | | | | | | | |
| Package 191: Clean Water SRF Bond Debt Service Debt Service | \$ - | \$ - | \$ - | \$ 10,020,000 | \$ - | \$ - | \$ 10,020,000 | | |
| TOTAL ADJUSTMENTS | \$ 3,806,722 | \$ - | \$ 15,712,770 | \$ 10,020,000 | \$ (620,599) | \$ - | \$ 28,918,893 | 41 | 31.96 |
| SUBCOMMITTEE RECOMMENDATION * | \$ 52,483,514 | \$ 5,332,415 | \$ 218,198,901 | \$ 148,048,330 | \$ 29,524,125 | \$ - | \$ 453,587,285 | 776 | 758.80 |
| | | | 0 | | | \$ - | | | |
| % Change from 2017-19 Leg Approved Budget | 7.6% | 12.7% | 12.0% | 12.4% | 0.9% | 0.0% | 10.8% | 1.3% | 2.9% |
| % Change from 2019-21 Current Service Level | 7.8% | 0.0% | 7.8% | 7.3% | (2.1%) | 0.0% | 6.8% | 5.6% | 4.4% |

*Excludes Capital Construction Expenditures

PRELIMINARY

Legislatively Approved 2019 - 2021 Key Performance Measures

Published: 6/6/2019 6:30:41 PM

Agency: Environmental Quality, Department of

Mission Statement:

To be a leader in restoring, maintaining and enhancing the quality of Oregon's air, water and land.

| Legislatively Approved KPMs | Metrics | Agency Request | Last Reported Result | Target 2020 | Target 2021 |
|--|---|----------------|----------------------|-------------|-------------|
| 2. AIR QUALITY DIESEL EMISSIONS - Quantity of diesel particulate emissions (in tons). | | Approved | 2,486 | 1,837 | 1,837 |
| 3. AIR QUALITY CONDITIONS - National Standards: Number of days when air is unhealthy for sensitive groups and all groups. | a) National Standards Number of days when air is unhealthy for sensitive groups | Approved | 191 | 20 | 20 |
| | b) National Standards Number of days when air is unhealthy for all groups | | 177 | 3 | 3 |
| 4. AIR QUALITY - AIR TOXICS - Air Toxics Trends in Larger and Smaller Communities | a) Air Toxics Trends in Large Communities | Approved | 11 | 7 | 7 |
| | b) Air Toxics Trends in Smaller Communities | | 10 | 5 | 5 |
| 6. PERMIT TIMELINESS - Percentage of individual wastewater discharge permits issued within 270 days. | | Approved | 17% | 75% | 75% |
| 7. UPDATED PERMITS - Percent of total wastewater permits that are current. | | Approved | 58% | 75% | 90% |
| 8. WATER QUALITY CONDITIONS - Percent of monitored stream sites with significantly increasing trends in water quality. | a) Percent of monitored stream sites with significantly improving trends in water quality | Approved | 30% | 40% | 50% |
| | b) Percent of monitored stream sites with significantly declining trends in water quality | | 9% | 7% | 5% |
| | c) Percent of monitored stream sites with good to excellent water quality | | 51% | 60% | 75% |
| 9. CLEANUP - Properties with known contamination cleaned up | a) Percent of heating oil tank sites cleaned up | Approved | 85.70% | 90% | 90% |
| | b) Percent of regulated underground storage tank sites cleaned up | | 89.10% | 90% | 95% |
| | c) Percent of hazardous substance sites (non-tank) cleaned up | | 48.30% | 60% | 75% |
| 10. MATERIALS MANAGEMENT - Waste generation | | Approved | 5,529,121 | 4,871,739 | 4,000,000 |
| 11. MATERIALS MANAGEMENT - Waste recovery | | Approved | 42.10% | 52% | 60% |
| 12. CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information. | a) Expertise | Approved | 75% | 95% | 95% |
| | b) Availability of Information | | 64% | 95% | 95% |
| | c) Helpfulness | | 76% | 95% | 95% |
| | d) Accuracy | | 73% | 95% | 95% |
| | e) Timeliness | | 65% | 95% | 95% |
| | f) Overall | | 69% | 95% | 95% |
| 13. ERT - Percent of local participants who rank DEQ involvement in Economic Revitalization Team process as good to excellent. | | Approved | 75% | 80% | 90% |

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| Legislatively Approved KPMS | Metrics | Agency Request | Last Reported Result | Target 2020 | Target 2021 |
|---|--|-----------------------|----------------------|-------------|-------------|
| 14. BOARDS AND COMMISSIONS - Percent of total best practices met by the Environmental Quality Commission. | | Approved | 96% | 100% | 100% |
| 15. Permit Timeliness - Issuance of new permits - Percentage of new air quality permits that are issued within timeliness targets. | Permit Timeliness - Issuance of new permits (Air Contaminant Discharge Permits) | Approved | No Data | 90% | 90% |
| | b) Permit Timeliness - Issuance of new permits (Title V Permits) | | No Data | 90% | 90% |
| 16. Permit Timeliness - Issuance of Permit Modifications - Percentage of air quality permit modifications issued within the target timeliness period. | Permit Timeliness - Issuance of Permit Modifications (Air Contaminant Discharge Permits) | Approved | No Data | 90% | 90% |
| | b) Permit Timeliness - Issuance of Permit Modifications (Title V Permits) | | No Data | 90% | 90% |
| 17. Permit Timeliness - Current Permits - Percent of air quality permits that are current (not on administration extension) | Permit Timeliness - Current Permits (Air Contaminant Discharge Permits) | Approved | No Data | 80% | 80% |
| | Permit Timeliness - Current Permits (Title V Permits) | | No Data | 80% | 80% |
| 1. PERMIT TIMELINESS - Percentage of air contaminant discharge permits issued within the target period. | | Legislatively Deleted | 78% | TBD | TBD |
| 5. PERMIT TIMELINESS - Percent of Title V operating permits issued with the target period. | | Legislatively Deleted | 42% | TBD | TBD |

LFO Recommendation:

The Legislative Fiscal Office recommends approval of the proposed Key Performance Measures and targets, which includes the deletion of two measures and three new measures.

SubCommittee Action:

The Natural Resources Subcommittee approved the Key Performance Measures and targets.

PRELIMINARY