

**75th OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: SB 5521-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Jenson
Carrier – Senate: Sen. Walker**

Action: Do Pass as Amended and Be Printed A-Engrossed

Vote: 15 – 6 – 1

- House – Yeas: Buckley, D. Edwards, Galizio, Jenson, Komp, Kotek, Nathanson, Shields
– Nays: Garrard, Gilman, Richardson
– Exc: G. Smith
- Senate – Yeas: Bates, Carter, Johnson, Monroe, Verger, Walker, Winters
– Nays: Girod, Nelson, Whitsett
– Exc:

Prepared By: Lisa Pearson, Department of Administrative Services

Reviewed By: Paul Siebert, Legislative Fiscal Office

Meeting Date: June 5, 2009

Agency

Department of Environmental Quality

Budget Page

F-11

LFO Analysis Page

247

Biennium

2009-11

Budget Summary*

	2007-09 Legislatively Approved Budget (1)	2009-11 Essential Budget Level	2009-11 Committee Recommendation	Committee Change from 2007-09 Leg. Approved	
				\$\$ Change	% Change
General Fund	\$ 33,955,133	\$ 34,822,556	\$ 28,498,904	\$ -5,456,229	-16.1%
General Fund Debt Service	\$ 4,770,453	5,549,353	5,549,353	778,900	16.3%
Lottery Funds	\$ 5,184,632	5,555,984	5,556,344	371,712	7.2%
Other Funds	\$ 130,039,906	132,075,733	141,500,380	11,460,474	8.8%
Other Funds Debt Service	\$ 748,260	240,600	240,600	-507,660	-67.8%
Other Funds Nonlimited	\$ 125,140,000	80,000,000	174,778,200	49,638,200	39.7%
Other Funds Nonlimited Debt Service	\$ 8,373,167	4,274,948	14,294,948	5,921,781	70.7%
Federal Funds	\$ 30,659,385	\$ 32,033,198	\$ 36,557,899	\$ 5,898,514	-19.2%
Total	\$ 338,870,936	\$ 294,552,372	\$ 406,976,628	\$ 68,105,652	20.1%

Position Summary

Authorized Positions	826	807	814	-12
Full-time Equivalent (FTE) positions	797.31	787.59	790.13	-7.18

(1) Includes adjustments through the December 2008 meeting of the Emergency Board

* Excludes Capital Construction expenditures

Summary of Revenue Changes

Aside from General Fund and Federal Funds, the department has a number of Other Funds revenue sources, mainly regulation and permit fees, as well as loan proceeds, charges for services, and other miscellaneous sources. Fee increases in on-site septic, solid waste and composting fees are included. It also receives Measure 66 operating funds from the Oregon Watershed Enhancement Board. Lottery Funds for the agency are 7.2 percent greater than the 2007-09 biennium Legislatively Approved Budget through December 2008, which is possible due to adjustments to other Measure 66-supported agency budgets. Adjustments to expenditures will require changes to internal revenue transfer accounts.

Summary of Natural Resources Subcommittee Action

The Department of Environmental Quality (DEQ) restores, maintains and enhances the quality of Oregon's air, water, and land. It 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 conducts environmental cleanup. The Subcommittee approved an agency total funds budget of \$406,976,628 and 814 positions (790.13 full-time equivalent (FTE)), which is about a 20 percent increase from the 2007-09 Legislatively Approved Budget through December 2008. This increase is caused by an over 40 percent increase in Nonlimited Other Funds expenditures from the Clean Water State Revolving Fund and a nearly 20 percent increase in anticipated Federal Funds expenditures. The total

limited funds budget (excludes Nonlimited funds) for the Department is \$217,903,480, which is 6 percent higher than the 2007-09 Legislatively Approved Budget through December 2008 due to higher Federal Funds expenditures offsetting General Fund reductions.

Air Quality Program

This program ensures that 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 Medford. The subcommittee approved a total funds budget of \$54,868,166 and 236.27 FTE. The subcommittee approved Package 070: Revenue Shortfalls, which decreases the Vehicle Inspection program rent by \$553,610 Other Funds because it is no longer needed.

The subcommittee approved Package 114: Implement New Federal Air Toxics Requirements, which adds \$872,297 Other Funds and nine new permanent positions (6.00 FTE). These resources will allow the agency to implement new air toxics standards for hazardous pollutants; these new standards will increase workload because more entities will be regulated, including some small businesses that have not been regulated until now. The positions will provide technical assistance and oversee implementation.

The subcommittee approved Package 119: Complete Title V Staffing Phase-In, adding \$177,432 Other Funds and one position (1.00 FTE) to the agency's budget. In House Bill 107 (2007), the Legislature approved a fee and position increase to restore positions that would otherwise be lost because of insufficient revenue. The proposal presented in 2007 included three positions, two of which would be added in the 2007-09 biennium and the remaining position would be added in the 2009-11 biennium. The federal Title V program caps the amount of pollutants an industrial facility may emit and requires industrial facilities with the highest emissions to obtain and comply with a permit. Federal and state laws require that the program be fully fee-funded.

Package 810: Analyst Program Reductions reduces General Fund by \$749,962, increases Other Funds by \$8,665, and eliminates two positions (2.00 FTE). This package reduces payments to the Lane Regional Air Pollution Authority (\$73,690), eliminates one background air toxics monitoring site (\$218,000), and support for a multi-state regional air quality modeling center (\$205,660). The package also reduces some enforcement work (\$120,612) and technical assistance for regulated entities (\$132,000).

Package 811: Analyst Fund Shifts reduces General Fund by \$1,486,040 but preserves a portion of the program by shifting \$652,577 of the reduction to increased federal stimulus funding through the American Recovery and Reinvestment Act as well as increases in the annual Diesel Emissions Reduction Act grants. One position (1.00 FTE) is eliminated with the General Fund reduction, while one position that had been funded with General Fund is retained on Federal Funds.

Package 812: Other Analyst Adjustments was approved. This package adds \$484,128 Other Funds expenditure limitation and two positions (1.50 FTE), with one of the positions starting in the second year of the biennium, for a Greenhouse Gas Reporting program. \$250,000 of the package is for Information Technology contracting to establish a reporting database.

Package 814: New Expenditure Limitation Needs was approved, which adds \$178,602 Other Funds expenditure limitation for Vehicle Inspection Program (VIP) fees owed to the Oregon Department of Transportation (ODOT) for the cost of issuing VIP testing information along with

registration renewals mailings. An agreement between the two departments allows the VIP to perform some functions on behalf of ODOT, while information about the VIP program is provided to the public through ODOT mailings.

Water Quality Program

This 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 approved a total funds budget of \$59,338,891 and 239.00 FTE.

The subcommittee approved Package 070: Revenue Shortfalls, which reduces expenditure limitation by \$983,016 Other Funds, \$1,398,415 Federal Funds and increases Lottery Funds expenditure limitation by \$360. It also eliminates seven positions (6.40 FTE). These revenue shortfalls involve 401 project certification, monitoring, Total Maximum Daily Loads, and onsite wastewater (septic) management.

The subcommittee approved Package 121: Ongoing Implementation of Senate Bill 737, which provides \$210,199 General Fund and \$182,917 Other Funds to continue implementing Senate Bill 737 (2007). The package continues two limited-duration positions (0.75 FTE) and adds General Fund for one limited-duration position (1.00 FTE) to review persistent pollutant plans, which are due in 2011. The new position would also incorporate the plans in National Pollutant Discharge Elimination System (NPDES) permits, provide technical assistance and update the priority persistent pollutant list developed by the other two positions. The Other Funds positions are supported through a surcharge on the 52 largest municipal wastewater treatment plants in Oregon. The General Fund support is provided on a one-time basis.

The subcommittee approved Package 123: Drinking Water Protection, which continues six limited duration positions (5.50 FTE) and provides \$1,084,733 Other Funds. The agency identifies potential sources of contamination, while the Department of Human Services (DHS) maps source water areas. Both agencies are required by federal law to track, assess and protect drinking water. The package is federally funded through DHS which funnels some of the program funding to DEQ, where it is expended as Other Funds.

Package 124: Clean Water State Revolving Fund was approved, which adds \$861,922 Other Funds and four new permanent positions (4.00 FTE). It also restores one position (1.00 FTE) that was eliminated in Package 070: Revenue Shortfalls. The positions will ensure that all new Clean Water State Revolving Funds meet federal requirements, and to meet increasing workload due to increases in federal funding through the American Recovery and Reinvestment Act.

The subcommittee approved Package 126: Coastal Beach Bacteria Monitoring, which restores \$216,197 Other Funds expenditure limitation and makes permanent two positions (1.25 FTE) which had previously been limited-duration. The positions collect and analyze water samples. Funding comes from DHS, which receives a federal grant to monitor beaches for harmful bacteria, and is expended by DEQ as Other Funds. DHS decides which beaches to monitor and oversees the beach advisory notification process.

The subcommittee approved Package 166: Restore Onsite System Program, which provides \$522,035 Other Funds expenditure limitation and restores three positions (2.50 FTE) which were eliminated in Package 070: Revenue Shortfalls. The restoration is funded through a fee increase.

Package 810: Analyst Program Reductions was approved. This package reduces General Fund by \$1,733,186 and Other Funds by \$18,740. It also eliminates 11 positions (8.00 FTE). The reductions include eliminating four biomonitoring positions (\$860,888), two of which were eliminated as part of 2007-09 biennium budget reductions, reducing enforcement, communications and outreach (\$233,014), and program support (\$149,284). The package also eliminates \$500,000 General Fund and four positions (2.00 FTE) in the stormwater permitting program, which partially reduces enhancements made to the program in 2007.

Package 814: New Expenditure Limitation Needs was approved, which adds \$698,139 Federal Funds and one position (1.00 FTE) for regional comprehensive water quality planning and American Recovery and Reinvestment Act funding.

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 approved a total funds budget of \$73,445,868 and 228.53 FTE.

The subcommittee approved Package 082: September 2008 E-Board, which phases-in \$6,220,000 of Other Fund expenditure limitation to contract for a statewide electronic device recycling program. The electronic recycling program started during the 2007-09 biennium on a phase-in basis, with registration fees eventually paying for the program. The Emergency Board added \$8,220,000 Other Funds expenditure limitation after groundwork defining the program and contracting criteria was completed, and as fee revenue began to accrue. Updated information from the agency suggests that the professional services contract can be \$2 million less than anticipated in September 2008, so the package adds less expenditure limitation than originally anticipated.

The subcommittee approved Package 132: Product Stewardship for Waste Products, which adds \$277,890 Other Funds and two positions (1.84 FTE) to develop a product stewardship program. The positions would look for other segments of the waste stream that might build on the concept of electronic waste and battery recycling, where manufacturers take greater responsibility for their products throughout the product's life cycle, including the end of the product's useful life.

Package 810: Analyst Program Reductions was approved. This package reduces General Fund by \$940,355, increases Other Funds expenditure limitation by \$22,044, and eliminates three positions (3.50 FTE). This package reduces hazardous waste program compliance inspections (\$264,122), management (\$298,247), enforcement (\$121,018), and technical assistance (\$256,968).

Package 811: Analyst Fund Shifts was approved, which reduces General Fund by \$498,313 and increases Other Funds by \$573,557. These changes involve shifting hazardous waste FTE from General Fund to fee revenues. The FTE work on policy development and interpretation. The package also increases Other Funds expenditure limitation to cover a General Fund reduction to the Economic Revitalization Team in the Cross Program unit; this fund shift results in adding 0.60 FTE to this program.

Package 814: New Expenditure Limitation Needs was approved, which adds \$4,007,505 Federal Funds for increased Leaking Underground Storage Tank funding from the American Recovery and Reinvestment Act and from an agreement with the EPA on maintenance of the McCormick & Baxter clean-up site.

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 (MSD). MSD consists of the Administration, Business Office, Budget, and Human Resources functions. The subcommittee approved a total funds budget of \$22,581,133 and 79.73 FTE.

Package 810: Analyst Program Reductions was approved, which reduces Other Funds expenditure limitation by \$1,023,592 and five positions (5.50 FTE). Reductions include three support staff and impact agency-wide grants, performance measures, policy and strategy coordination, and a contract to provide remote/online access to Environmental Quality Commission meetings. This package results from reductions in primary programs, leading to lower administrative needs.

Cross Program

This program unit includes work that crosses the Air, Water and Land Quality programs. It houses the Economic Revitalization Team and the pollution prevention tax credit program. The subcommittee approved a total funds budget of \$1,879,469 and 6.60 FTE. The subcommittee approved Package 070: Revenue Shortfalls, which reduces Other Funds expenditure limitation by \$635,814 and one position (1.40 FTE) because the pollution control tax credit program is sunseting.

The subcommittee approved Package 150: Environmental Information Exchange Network, which makes three positions (3.00 FTE) permanent and provides \$564,895 Federal Funds. These positions had existed for several biennia as limited-duration. As required by law, this package continues work on making the agency's computer systems capable of reporting data to the federal government.

Package 811: Analyst Fund Shifts was approved, which reduces General Fund for the agency's Economic Revitalization Team position by \$168,995. Package 811 in the Land Quality program increases Other Fund expenditure limitation to backfill this reduction. This package also reduces 0.60 FTE because of the fund shift; this FTE is added to the Land Quality Program package 811.

Nonlimited

This program contains the agency'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 approved a total funds budget of \$174,778,200 and no FTE.

The subcommittee approved Package 181: Clean Water SRF - Loans and Bonds. This package adds \$94,778,200 Other Funds nonlimited of bond proceeds to capitalize the Clean Water State Revolving Fund, pay for bond issuance costs, and establishes the maximum amount of expenditures from the Fund. The Clean Water State Revolving Fund provides affordable financing alternatives for wastewater treatment, non-point source control, and

management plans for federally designated estuaries. Recipients are public agencies, such as municipalities and counties. The interest rates charged to these entities are typically lower than the private market, thereby helping communities achieve legal requirements and development goals. Every dollar of state match brings the state about five dollars of federal funding, which this package would use to provide affordable loans to communities.

Pollution Control Bond Fund

This program contains the agency'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 \$20,084,901 and no FTE.

The subcommittee approved Package 191: Clean Water SRF - Debt Service, which adds \$10,020,000 Other Funds nonlimited for debt service for bonds to provide resources for new loans from the Clean Water State Revolving Fund.

Package 811: Analyst Fund Shifts was approved. This package uses a \$957,000 one-time fund shift from General Fund to Other Funds. The Other Funds are a combination of \$657,000 in proceeds from previous orphan site bond sales and \$300,000 in hazardous waste substance fee balances.

Summary of Performance Measure Action

See attached Legislatively Adopted 2009-11 Key Performance Measures form.