

THE DEPARTMENT OF ENVIRONMENTAL QUALITY

An Agency Profile Prepared by the
Legislative Fiscal Division

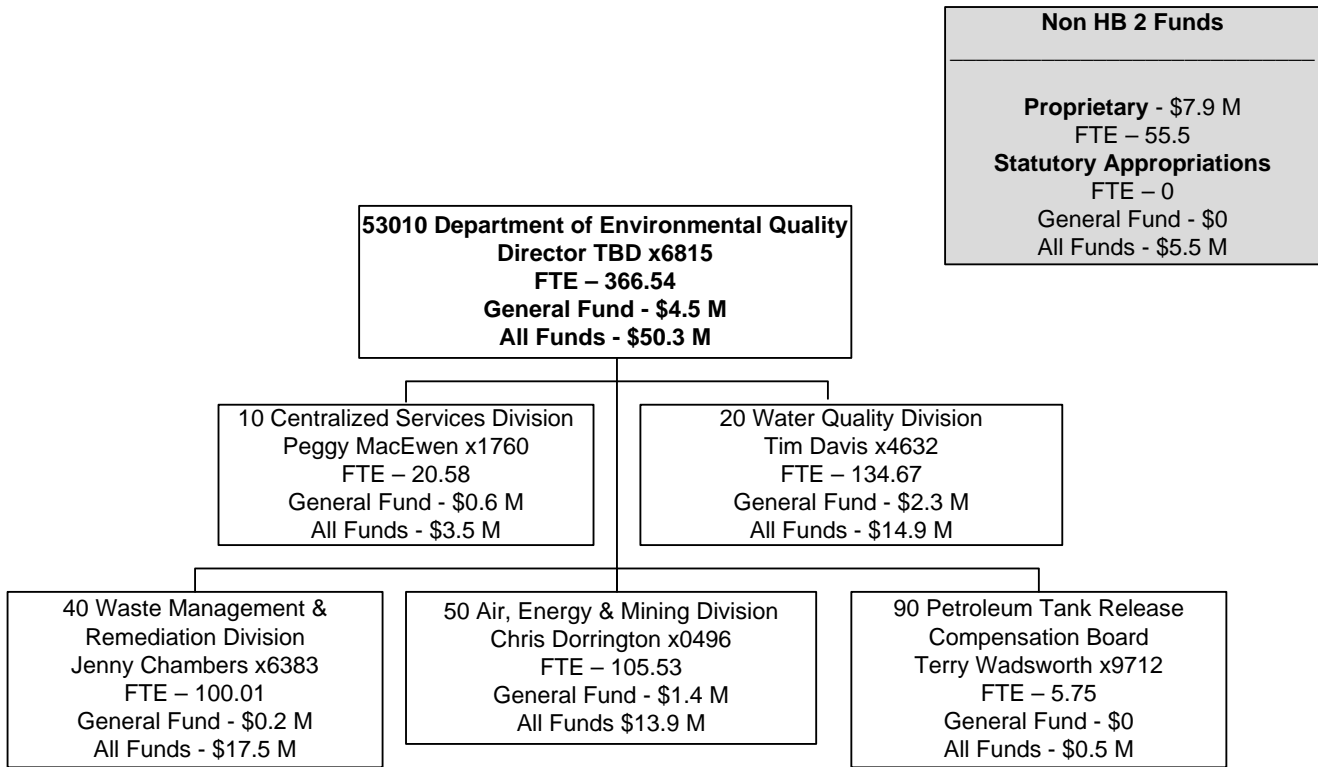
November 2018



INTRODUCTION

The Department of Environmental Quality (DEQ) is responsible for regulating air, water, and ground resources to administer Montana’s environmental and mine reclamation laws. DEQ works in partnership with the federal Environmental Protection Agency (EPA), Department of Energy, and Office of Surface Mining, Reclamation, and Enforcement (OSM). EPA and OSM have delegated authority and responsibility for environmental areas to DEQ. The EPA state-federal cooperative agreement provides federal resources to DEQ but also directs much of the agency activity.

Below is an organizational chart of DEQ, including full-time equivalent (FTE) numbers and the HB 2 base general fund appropriations and the total of all funds. Unless otherwise noted, all phone extensions are preceded by (406) 444.



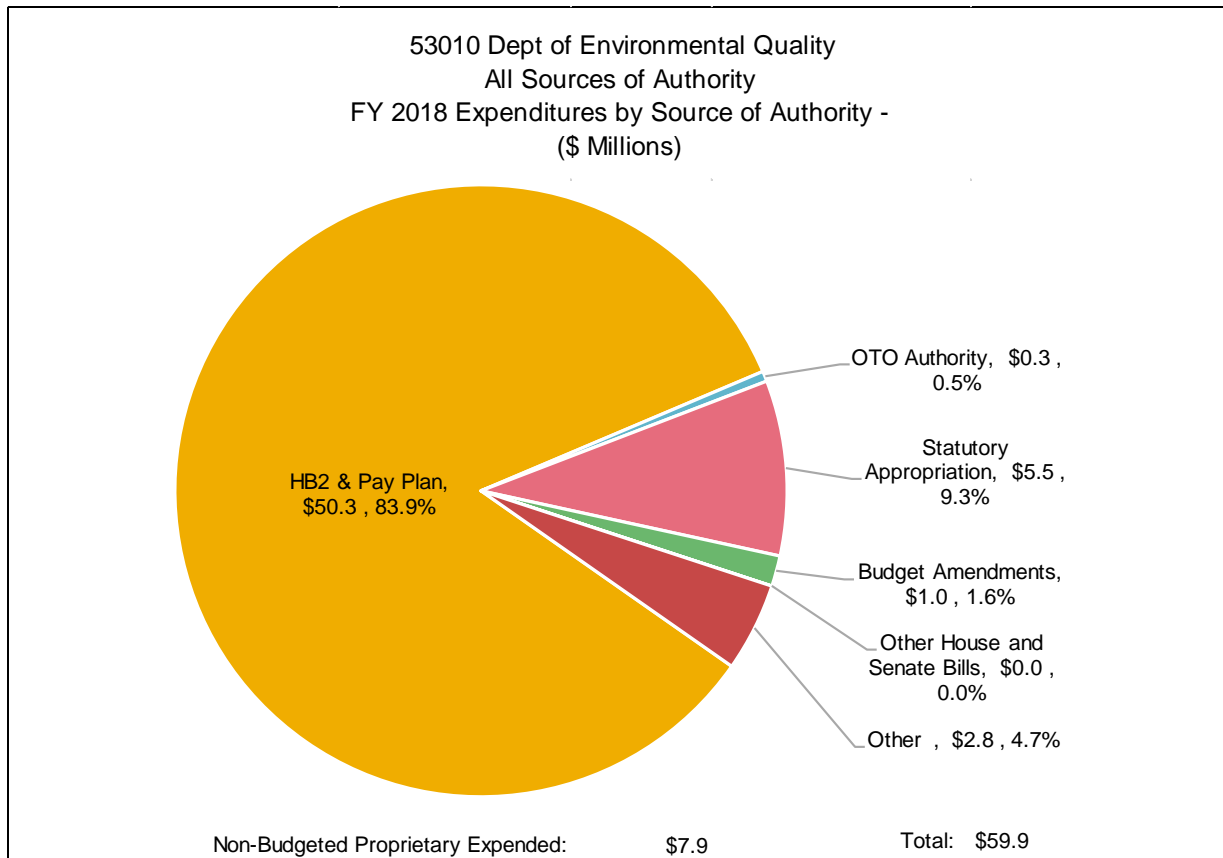
HOW SERVICES ARE PROVIDED

Five divisions form DEQ and perform the following functions:

- The Central Management Program provides managerial and administrative support services to the entire department
- The Water Quality Division oversees issues of water quality within Montana including permitting, the development of water quality plans, encouraging the use of new practices, and providing assistance
- The Enforcement Division investigates possible violations of Montana environmental laws and monitors compliance
- The Waste Management & Remediation Division manages the waste processing, investigates environmentally contaminated sites, and directs clean up efforts
- The Air, Energy & Mining Division reviews and assesses permit and license applications impacting air and land environmental quality and provides information on energy production, conservation, renewable opportunities, and Libby asbestos superfund advisory team

In addition, although it is not attached to DEQ by law, the Petroleum Tank Release Compensation Board is functionally supported by DEQ. The board provides procedures and resources for reimbursement of expenditures for cleanup of petroleum tank leaks.

SOURCES OF SPENDING AUTHORITY

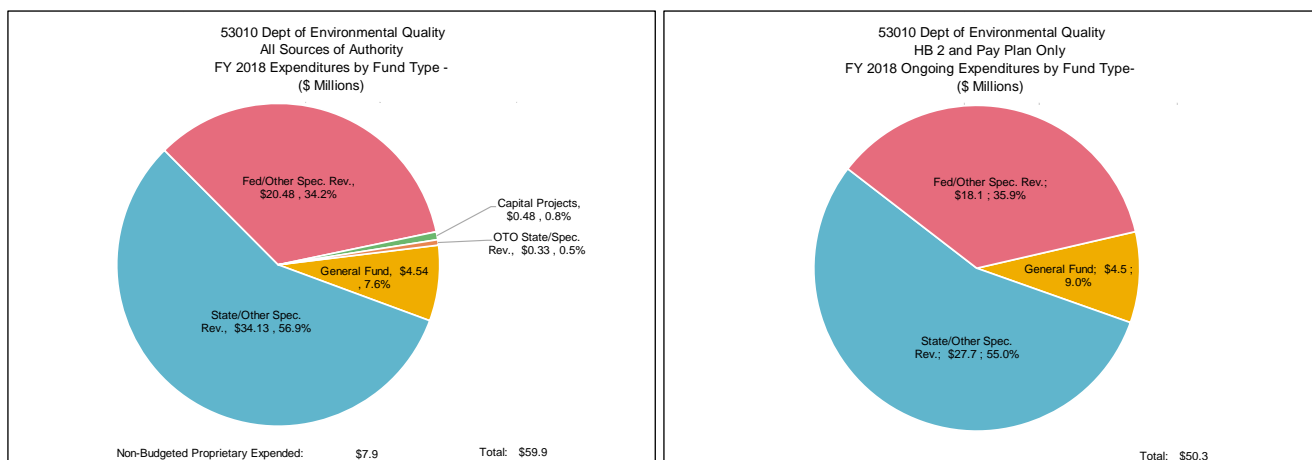


The above chart shows the expenditures by sources of authority for DEQ in FY 2018.

Most of the agency expenditure is appropriated by the legislature through HB 2. In addition to HB 2, the agency expends state and federal revenue as detailed below.

- **One-Time-Only (OTO)** authority is appropriated through HB 2 from state special revenue sources. Appropriation designated OTO are not considered ongoing expense, and are not included in the agency base budget. The agency expended \$0.3 million from an OTO appropriation to fund the Department of Justice investigations under the natural resource damage program through DEQ.
- **Statutory appropriations** do not require reauthorization by the legislature. The agency expended \$5.5 million in state special revenue from the Petroleum Storage Tank Cleanup fund to settle claims
- **The budget amendment** process allows the agency to increase federal appropriation to take advantage of federal programs that fund activities related to the mission of DEQ not anticipated during the regular legislative session
- **Other** expenditures are from continuing appropriations for the long-range building plan.

FUNDING



The chart on the left shows the agency's actual expenditures by fund type for all sources of authority. The chart on the right shows the agency's HB 2 and pay plan expenditures by fund type.

HB 2 General fund expenditures account for 7.6% of the total expenditures. General fund expenditures pay for personal services and operating expenses for the agency.

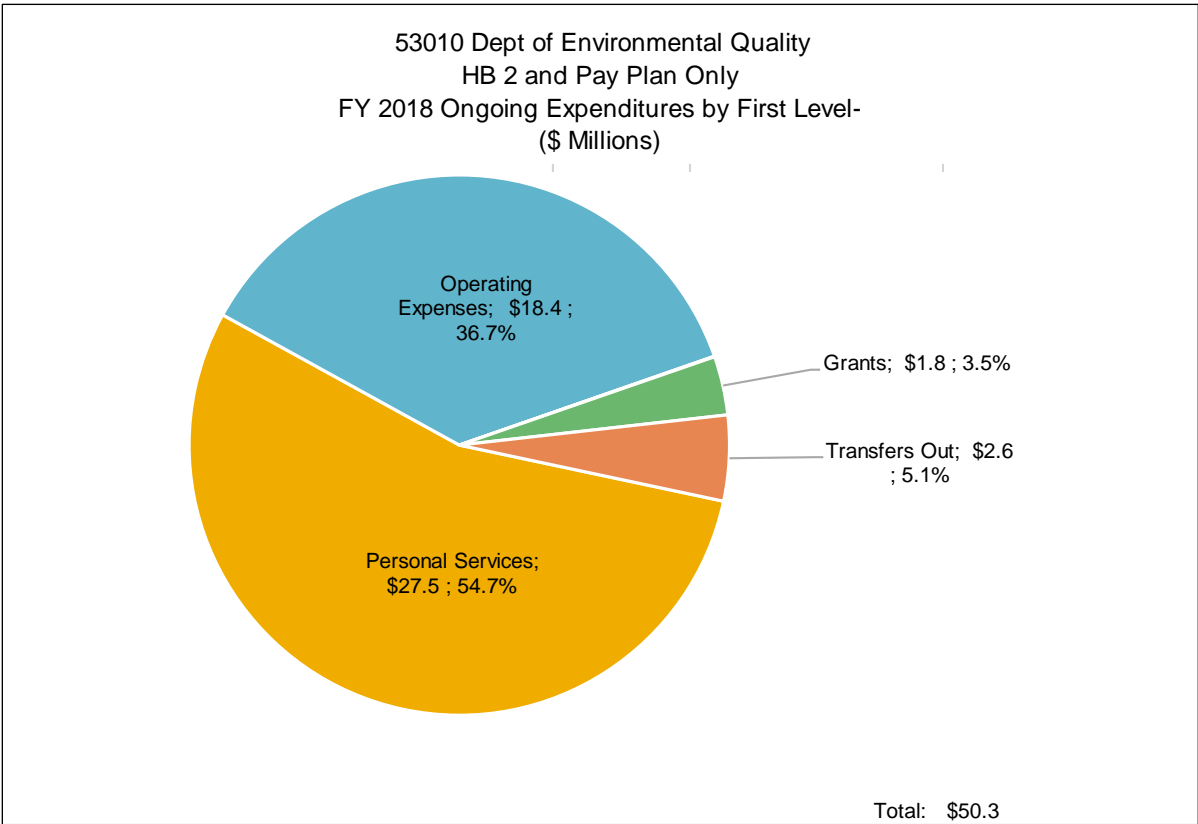
State Special revenue accounts for \$34.13 million or 56.9% of the total agency expenditures. These expenditures are made from 41 state special revenue funds. Eleven funds account for 81.0% or \$27.6 million of state special revenue expenditures. The table below shows the top eleven state special revenue funds and the agency's expenditure from each fund.

Department of Environmental Quality State Special Revenue Expenditures (millions of \$)	
<u>State Special Revenue Fund</u>	<u>Expenditure</u>
Petroleum Storage Tank Cleanup	\$7.5
Environmental Quality Protection	3.8
Air Quality-Operating Fees	3.7
MPDES Permit Program	2.9
Junk Vehicle Disposal	2.0
Natural Resources Operations	2.0
Hard Rock Mining Reclamation	1.3
MT Environmental Policy Act Fee	1.2
Public Drinking Water	1.1
Solid Waste Management Fee	1.0
Subdivision Plat Review	1.0
Other State Special Revenue Funds (30 Funds)	6.5
Total Expenditures From State Special Revenue	\$34.1

Federal expenditures account for \$20.5 million or 34.2% of total expenditures. Federal expenditures are made from 57 different federal revenue accounts provided by the U.S. Environmental Protection Agency (EPA) performance partnership grant, the Superfund program, and other federal grant resources. Federal grants may require a match from state sources. For example, wetland grants require 25% match, drinking water capital improvement requires a 20% match, and nonpoint source funding can require as much as a 40% match.

EXPENDITURES

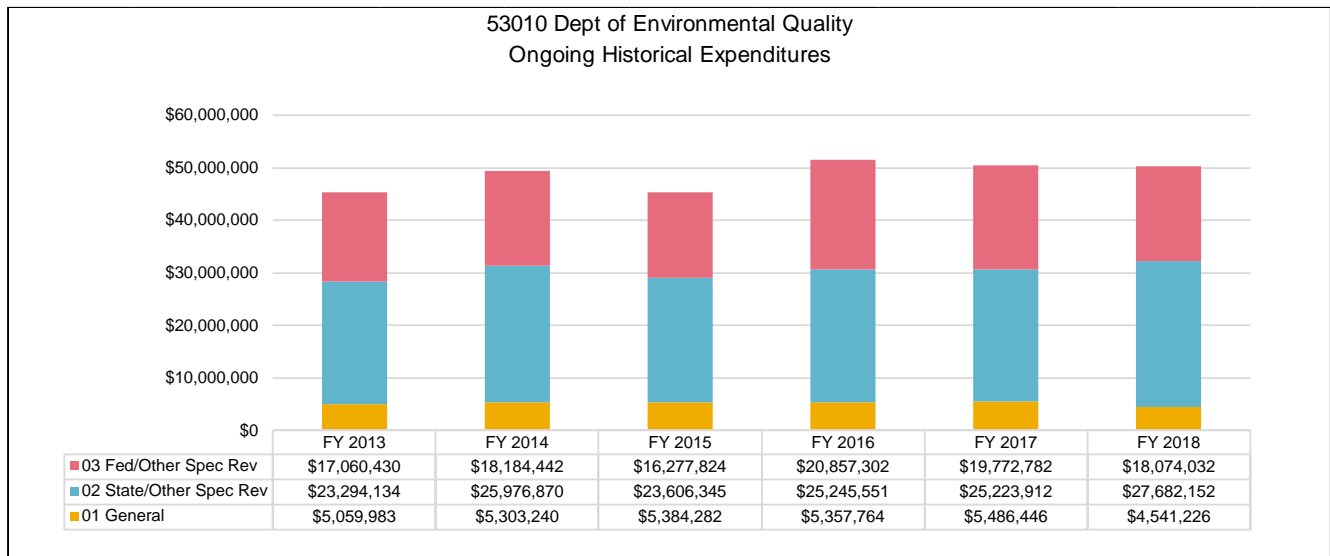
The chart below shows how the HB 2 authority was spent.



Personal services and operating expenses account for 91.4% of all expenditures to support 367 full time positions and the associated operating cost. Grants support the Junk Vehicle program, transfers support hazardous waste and remediation projects.

FUNDING/EXPENDITURE HISTORY, AUTHORITY USED TO ESTABLISH THE BASE BUDGET

The following chart shows the historical change in DEQ’s funding and expenditures.



HOW THE 2017 LEGISLATURE CAN EFFECT CHANGE

To change DEQ expenditure levels and/or activity, the legislature must address one or more of the following basic elements that drive most department costs.

Licensing

DEQ provides processes to license several environmentally related occupations. To influence DEQ activities in this area, the legislature could change:

- the occupations that need to be licensed
- the guidelines for licensing a particular occupation or category of occupations
- the fees for licensing activities
- the disposition of licensing fees for a specific activities or programs
- the re-application intervals for licenses

Permitting

DEQ permits such activities as building waste management facilities, emitting pollutants into air and water, and strip mining activities. To influence DEQ activities in this area, the legislature could change:

- the types of environmental activities that require permitting to protect the environment
- the general guidelines for the permitting process
- the length of time for a valid permit
- the fees for permitting activities
- which fees support specific activities or programs

Monitoring

As a regulatory agency, the department is constantly monitoring activities that could impact the environment as well as air and water quality. To influence agency activities in this area, the legislature could change:

- the amount of monitoring deemed sufficient
- the intervals of monitoring for reclamation and cleanup activities
- the priorities for monitoring activities
- the scope of monitoring activities

Staffing Levels

Common to all agencies, any decisions that change FTE will have a direct and immediate impact on the ability to deliver services/functions by the department. Personal service costs will be a primary driver of total department costs. Factors that impact personal service costs include:

- Professional/technical/educational requirements of FTE job descriptions
- Cost of benefits

MAJOR COST DRIVERS

DEQ is heavily dependent on the economic conditions in Montana. A growing economy means more development. This trend translates to more subdivisions, gravel pits, mining, and related permits, which in turn can create more possible investigations.

Waste Management & Remediation Division

ELEMENT	FY 2015	FY 2016	FY 2017	Significance of Date
Contaminated sites under active management*	1002 (1658 total)	1032 (1591 total)	1029 (1495 total)	Agency workload and potential environmental and public health impact
Licenses, Certifications, Accreditations and Permits – WUTMB**	1,515	1,483	1,568	Demand for Service, Economic Drivers, and Agency Work Load
Inspections and Compliance Assistance visits – WUTMB**	3,566	3,298	3,477	Level of effort on outreach and field interaction. Agency workload.
*Top number is actively working on and bottom number is total number of sites currently known. Total number excludes all abandoned mine sites.				
**Waste & Underground Tank Management Bureau Programs: Asbestos Control, Methamphetamine Cleanup, Hazardous Waste, Solid Waste, Recycling, Motor Vehicle Wrecking & Disposal, Septic Pumpers and Land Application, Underground Storage Tank Leak Prevention.				

Energy Bureau

Element	FY 2017	FY 2018	Significance of Data
Number of State Buildings Energy Conservation Program Projects Initiated	16 (\$3.12 million)		Program Workload, Demand for Service
Number of Alternative Energy Revolving Loan Program Loans	51 (\$1,221,209)	36 (\$943,909)	Indicator of Economic Development, Program Workload, Demand for Service

Air Quality Bureau

Action	FY 2016	FY 2017	FY 2018	Significance of Information
Permits/Registration Actions	539	327	395	AQB Workload
Inspections	245	378	434	AQB Workload
Air Quality Implementation Plans/projects	18	6	11	AQB Workload
Violations	100	190	168	AQB and Agency Workload
Active Air Quality Permits	623	621	630	Regulated Universe/Workload
Active Operating Permits (Title V)	59	58	58	Regulated Universe/Workload
Active Registrations	1253	1237	1227	Regulated Universe/Workload

Hard Rock Mining Bureau

Action	FY 2016	FY 2017	FY 2018	Significance of Information
Permits/Licenses/Exclusions	758	932	549	HRMB Workload
Environmental Assessments	21	14	26	HRMB & Agency Workload
Bond Releases	35	30	12	HRMB & Agency Workload
Inspections	326	274	342	HRMB Workload
Violations	1	6	32	HRMB & Agency Workload

Coal and Open Cut Mining Bureau

Element	FY 2016	FY 2017	FY 2018	Significance of Data
Number of Open Cut Applications Processed	229	210	200	Program Workload
Number of Field Inspections by Open Cut Section	128	149	128	Program Workload
Number of Open cut Bond Releases	98	97	118	Program Workload
Number of Open Cut Violations	24	24	31	Program Workload/Industry Compliance Indicator
Reported Number of Cubic Yards of Open Cut Materials Mined	13,736,000	12,717,000	12,230,000	Indicator of Economic Development
Number of Coal Applications Processed	23	26	46	Program Workload
Number of Field Inspections Conducted by Coal Section	162	163	163	Program Workload
Number of Coal Bond Releases	7	8	3	Program Workload
Number of Coal Violations	1	0	0	Industry Compliance Indicator

MAJOR LEGISLATIVE CHANGES IN THE LAST 10 YEARS

2017 Session

- HB 2 included language appropriating \$2.2 million for the carpenter/snow creek superfund site
- HB 152 allows counties to establish motor vehicle recycling and disposal capital improvement funds
- SB 315 established a Libby asbestos superfund advisory team, established a fund to pay for clean up, and long-term operation and maintenance at the site. SB 315 also provided for revenue into the fund
- HB 216 required the agency to establish a new program for the bonding and decommissioning of wind generation facilities. The bill required agency rulemaking in in less than eight months and required the agency to implement the new law with existing resources.

2015 Session

- SB 96 expanded possible uses for the Orphan Share fund to allow for more proactive action on the part of the Department of Environmental Quality.

2013 Session

- SB 332 added the Limited open cut Operation allowing permitted operators to obtain 10,000 cubic yards from 5 acres by simply notifying DEQ and completing reclamation within 1 year. SB 332 also required DEQ to provide notice when conducting inspections and clarified what areas should be regulated through an open cut permit.

2009 Session

- HB 645 provided one-time federal spending authority for \$23.9 million for the state energy building program, approximately \$20 million for wastewater and drinking water infrastructure improvements through the State Revolving Fund, \$7.6 million in energy efficiency grants for local governments, and other miscellaneous funding for public works projects associated with federal recovery act projects.
- HB 678 provided a production based fee of 2.5 cents for every cubic yard mined to provide funding for four additional FTE in DEQ's open cut Section. Fiscal note projections indicated that this production fee should bring in revenues of \$468,000 annually; however, revenues have come in significantly below that amount. HB 678 also reduced permit review timeframes and added public participation provisions and the opportunity for public meetings during the permitting process.