Department of Environmental Quality

Joint Appropriations Subcommittee on Agriculture, Natural, and Economic Resources

February 28, 2017

Eric Moore and Lanier McRee
Today’s Agenda

• Department Budget Overview
  – Administration and Programs in Secretary’s Office

• Division Overviews
  – Mission/Programs
  – Budget Information
  – FY 2015-17 General Assembly actions
DEQ Major Functions

• Administration
• Environmental Protection/Regulation
  – Monitoring
  – Permitting
  – Enforcement
• Infrastructure Funding
  – Drinking Water and Wastewater
DEQ: General Fund Source of Funds

FY 2016-17 Authorized
Total GF Budget: $266M

Intragov’t Transactions and Federal Funds 45%

Net Appropriation 42%

Fees, Licenses, & Fines 3%
Sales, Service, & Rentals 0%
Grants 0%
Miscellaneous 1%
Intragov’t Transactions 9%

DEQ: General Fund Source of Funds
March 1, 2017
DEQ: How General Funds Are Spent

Total GF Budget: $266M

- Personal Services: 31%
- Aid & Public Assistance: 41%
- Intragov't Transfers: 15%
- Reserves: 0%
- Purchased Services: 10%
- Supplies: 1%
- Equipment: 1%
- Other: 1%

FY 2016-17 Authorized
DEQ: 10-Year General Fund History

Soil & Water Conservation and Forest Services transferred to DACS

Natural Resources transferred to DCR

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Appropriations</th>
<th>Receipts</th>
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</thead>
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<td>FY 2016-17</td>
<td>$113</td>
<td>$153</td>
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Fiscal Research Division
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March 1, 2017
DEQ Administration

• Executive Offices
  – General Counsel, Legislative Affairs, Policy Analysts

• Administrative Services
  – Budget & Planning, Controller, IT, Purchasing, HR

• Environmental Education & Public Affairs
  – Outreach and public information

• Coal Ash

• Reserves & Transfers
  – Transfers to special funds

68.45FTE

2017-18 Base Budget

Expenditures: $ 10.1 M
Receipts: $ 3.1 M
Net Approp.: $ 7.0 M
Admin: 5-Year Expenditure

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Authorized</th>
<th>Base</th>
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<tbody>
<tr>
<td>2014-15</td>
<td>$12.2</td>
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<tr>
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<tr>
<td>2017-18</td>
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<tr>
<td>2018-19</td>
<td></td>
<td>$3.1</td>
<td>$7.0</td>
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</table>

$ in millions

- Appropriations
- Receipts
Admin: 2015-17 GA Budget Actions

• 2015-17 Biennial Budget
  – Department-wide reductions to contracts, rentals, travel, postage, and supplies = ($1M) R
  – Operating reduction and fund shift 2 FTE = ($285K) R
  – Elimination of 24.94 vacant FTE and transfer of 15.45 filled FTE to DNCR = ($3.1M) R

• 2016-17 Budget
  – Department-wide reduction to salary reserve = ($307K) R
  – Elimination of three PIO positions = ($215K) R
  – Elimination of vacant attorney position = ($88K) R
Mission: To protect & improve NC’s environment and economy through:

- Environmental Assistance Program
- Recycling Program
- Outreach Programs
Regional Offices

- 7 locations
- Perform the Department's duties on a local level
Division of Air Quality
DAQ’s Mission

Mission: Work with the state's citizens to protect and improve outdoor, or ambient, air quality in North Carolina for the health, benefit and economic well-being of all.

- Monitor the level of pollutants in the air
- Permit and inspect stationary air emissions sources
- Compliance assurance activities
- Develop and implement plans to meet federal air quality standards
- Assist, educate and inform the public on air quality issues

213.80 FTE
2017-18 Base Budget
Expenditures: $ 23.6 M
Receipts: $ 23.5 M
Fund Balance: ($ 0.2 M)
Net Approp.: $ 0.0 M

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March 1, 2017
Air Quality Monitoring

– Meet federal monitoring requirements
– Focus on ozone, fine particles, sulfur dioxide, nitrogen oxides, carbon monoxide, air toxics
– Collect air samples and perform scientific analysis
– Make data available to the public in near real-time via the internet
Permitting: 2 Types

• **Title V** – larger facilities
  – Federally mandated
  – 292 facilities
    - Examples: power plants, paper plants, chemical plants
  – Inspected yearly

• **Non-Title V** – smaller facilities
  – ~2500 facilities
    - Examples: asphalt plants, quarries
  – Inspected at least every 2 years
DAQ Receipt Sources

### Pie Chart

- **Title V**
  - $7.3
  - 31%

- **Federal Grant**
  - $4.1
  - 17%

- **Fuel Tax**
  - $8.3
  - 35%

- **I & M**
  - $2.0
  - 9%

- **Non-Title V**
  - $1.1
  - 5%

- **Other**
  - $0.8
  - 3%

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**$ in millions**

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March 1, 2017
DAQ: 2015-17 GA Budget Actions

• 2015-17 Biennial Budget
  – Required Fuel Tax transfer continuation review = ($7.3M) R, $7.3M NR (for 2015-16)
  – Required Inspections & Maintenance fee transfer continuation review = ($3.6M) R, $3.1M NR (for 2015-16)

• 2016-17 Budget
  – Restored fee transfer for Inspections & Maintenance program = $2M R
  – Restored Fuel Tax transfer = $7.3M R
  – Reallocated motor fuel excise tax revenue between Commercial LUST and Water and Air Quality Accounts
Division of Energy, Mineral, and Land Resources (DEMLR)
DEMLR’s Mission

• To promote the wise use and protection of North Carolina’s land and geologic resources
  – Dam Safety
  – Mining
  – Erosion & Sediment Control
  – Stormwater Permitting

76.99 FTE

2017-18 Base Budget
Expenditures: $ 7.5 M
Receipts: $ 3.2 M
Fund Balance: ($ 0.1 M)
Net Approp.: $ 4.2 M
Dam Safety Program

2,262 Jurisdictional Dams
- 1,244 high hazard
- 289 intermediate hazard
- 729 low hazard

- Enforces Dam Safety Law of 1967 (GS 143-215.23 et seq.)
- Reviews permit applications
- Performs inspections
Erosion & Sedimentation Control Program

- Enforces Sedimentation Pollution Control Act of 1973 (GS 113A-50 et seq.)
- Reviews and approves erosion & sedimentation control plans
- Inspects sites
- Oversees delegated local sedimentation programs and DOT delegation
DEMLR: 2015-17 GA Budget Actions

• 2015-17 Biennial Budget
  – Offset portion of Energy Chief’s position with receipts = ($37,483) R
  – Offset portion of GF fund support for university-based energy centers using Petroleum Violation Escrow settlement = ($417,908) NR
  – Eliminated filled shale gas Rules Review Coordinator – ($51,027) R
  – Offset GF with cash balance of three special funds = ($346,560) NR
  – Funded temporary positions to support dam Emergency Action Plan reviews = $250,000 NR (both years)
  – Provided funding to drill new test holes in shale-bearing basins and associated analyses = $500,000 NR (for 2015-16)

• 2016-17 Budget
  – None
Energy Office
Energy Office Purpose

**Mission:** dedicated to ensuring a sustainable energy future for the citizens of North Carolina.

- Geological Survey Section
- Oil and Gas Program
- Energy Program
- Weatherization Assistance Program

**32.17 FTE**

**2017-18 Base Budget**
- Expenditures: $26.2 M
- Receipts: $23.7 M
- Net Approp.: $2.7 M
- Fund Balance: $0.1 M
Energy Program

• Energy Assurance Program
  – Prepare for energy emergencies

• Utility Savings Initiative
  – Reduce public entities’ energy and water consumption

• Technical Assistance
  – Federally funded assistance
  – Energy surveys
  – Strategic energy plan
Weatherization Assistance Program

• Educates clients about safety and energy efficiency
• Evaluates single-family dwellings, multi-family dwellings, and mobile homes for safety and energy efficiency
• Tunes, repairs or replaces heating and air systems
• Insulates attics, floors and walls
• Makes minor repairs to homes for health and safety
• Installs smoke and carbon monoxide detectors
• Performs base load and general heat waste measures
Energy Office: 5-Year Expenditures

<table>
<thead>
<tr>
<th>Year</th>
<th>Appropriations</th>
<th>Receipts</th>
<th>Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15 Actual</td>
<td>$1.8 million</td>
<td>$20.3</td>
<td>$0.0</td>
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<tr>
<td>2015-16 Actual</td>
<td>$2.0 million</td>
<td>$25.4</td>
<td>$0.5</td>
</tr>
<tr>
<td>2016-17 Authorized</td>
<td>$2.8 million</td>
<td>$23.7</td>
<td>$0.0</td>
</tr>
<tr>
<td>2017-18 Base</td>
<td>$2.6 million</td>
<td>$23.7</td>
<td>$0.0</td>
</tr>
<tr>
<td>2018-19 Base</td>
<td>$2.6 million</td>
<td>$23.7</td>
<td>$0.0</td>
</tr>
</tbody>
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Division of Waste Management
To protect public health and the environment by preventing the release of harmful waste and cleaning up existing contamination.

**Programs:**

- Storage Tanks
- Brownfields
- Coal Ash
- Compost
- Disaster Debris
- Dry-Cleaning
- Petroleum
- Scrap Tires
- Solid Waste
- Superfund
- Electronics
- Hazardous Waste
- Medical Waste
- Mercury Switch
- Oil Terminal

**203.67 FTE**

**2017-18 Base Budget**
- Expenditures: $ 20.6 M
- Receipts: $ 16.2 M
- Net Approp.: $ 4.4 M
DWM: Storage Tanks

- Leaking Underground Storage Tanks (LUSTs)
- Federal requirements on financial responsibility
- Non-commercial fund eliminated in December
- Commercial fund budgeted at $52.7M
  - $16.2M transfers from Highway Fund
  - $10M tank owner fees
  - $26.5M from fund balance
DWM: 2015-17 GA Budget Actions

• 2015-17 Biennial Budget
  – Eliminated filled Environmental specialist and reduced legal services and communications/data processing lines = ($282,259) R
  – Offset GF reduction with cash balance from UST Soil Permitting special fund = ($43,595) NR (for 2015-16)
  – Increased Noncommercial Leaking Petroleum UST to reduced backlog accrued through June 30, 2015 = $2,369,428 NR (for 2015-16)
  – Eliminated funding for Noncommercial Leaking Petroleum UST for released reported after October 1, 2015 = ($3,417,105) R
  – Partly offset elimination of the transfer of Noncommercial Leaking Petroleum UST to GF = $1M R

• 2016-17 Budget
  – Offset GF reduction with cash balance from Mercury Pollution Prevention Account = ($2.54M) NR
Division of Mitigation Services
DMS: Mission

Mission: to provide cost-effective mitigation alternatives that improve the state's water resources through:

- Restoring, enhancing, and protecting the State’s wetlands, streams, and riparian buffers
- Offsetting unavoidable environmental damage from transportation infrastructure improvement and other economic development
- Conduct basin-scale planning for mitigation projects to restore historic ecosystem functions
- Oversee private ecosystem restoration projects

24.43 FTE

2017-18 Base Budget
Expenditures: $ 3.2 M
Receipts: $ 3.2 M
Net Approp.: $ 0.0 M
Fund Balance: $ 0.0 M
DMS: In-Lieu Fee Programs

• Purpose
  – Satisfy compensatory mitigation requirements in State and federal law

• Types
  – NCDOT Stream/Wetland
  – Statewide Stream/Wetland
  – Riparian Buffer
  – Nutrient Offset
DMS: Mitigation Expenditures

2017-18 Base Budget
Total: $71.9M

$ in millions

- DOT ILF: $41.7, 58%
- Statewide ILF: $18.5, 26%
- Riparian Buffer ILF: $2.9, 4%
- Nutrient Offset ILF: $5.6, 8%
- Admin: $3.2, 4%

March 1, 2017
DMS: 2015-17 GA Budget Actions

• 2015-17 Biennial Budget
  – Directed DEQ to petition Army Corps of Engineers for additional mitigation flexibility

• 2016-17 Budget
  – Directed DEQ and DOT to catalog all wetland and stream mitigation credits held by the State
Division of Water Infrastructure

Provides financial assistance for projects that improve water quality.

Programs fund many types of projects:

- sewer collection and treatment systems
- drinking water distribution systems
- water treatment plants
- storm water management systems
- stream restoration

<table>
<thead>
<tr>
<th>2017-18 Base Budget</th>
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<tbody>
<tr>
<td>Expenditures: $107.06 M</td>
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<tr>
<td>Receipts: $86.67 M</td>
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<tr>
<td>Fund Balance: ($0.11 M)</td>
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<tr>
<td>Net Approp.: $20.28 M</td>
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45.00 FTE
DWI: Major Programs

• Programs
  – Federal - Community Development Block Grant-Infrastructure (CDBG-I)
  – State Revolving Funds (20% State match)
  – State Reserves and Grants
    • Including State Bond

• Awards
  – At least one funding round per year
  – Made by State Water Infrastructure Authority
DWI: 2015-17 GA Budget Actions

• 2015-17 Biennial Budget
  – Reduced cell phones = ($1,592) R
  – Reduced unneeded DWSRF State match = ($478,825) R
  – Increased CWSRF State match = $100K R
  – Expanded State grant program = $5M R, $2.4M NR (2015-16), $5M NR (2016-17)
  – Made number of modifications to State Water Infrastructure Authority programs
  – Directed DEQ to identify systems that are candidates for interconnect

• 2016-17 Budget
  – Expanded State grant program = $18,798,981 NR
To protect and enhance North Carolina's water and groundwater resources through
– Water Resource Planning
– Pollution Control
– Dredging

366.48 FTE

2017-18 Base Budget
Expenditures: $ 37.12 M
Receipts: $ 25.12 M
Net Approp.: $ 11.99 M
DWR: Water Resource Planning

• Technical assistance to local govts:
  – Water conservation & efficiency
  – Drought response planning
• Statewide drought management & response
• Management of Interbasin Transfer Program
  – Surface water transfers > 2,000,000 gallons / day
• Implementation of Coastal Plain Capacity Use Area
  – Sustainable use of coastal aquifers
DWR: Pollution Control

• Drinking Water
  – Implementation of federal Safe Drinking Water Act
  – Oversight of over 6,300 public water supplies in NC
  – Training and technical assistance to all types of public water systems, public and privately-owned

• Wastewater
  – Implementation of National Pollutant Discharge Elimination System
  – Financial and technical assistance for publicly owned wastewater treatment facilities
DWR: Dredging

Shallow Draft Navigation Channel Dredging and Aquatic Weed Fund

• Established 2013
• DWR contracts with Army Corps
• Budget - $23M
  – $12.5M from motor fuels tax
  – $5.1M from vessel registrations (WRC)
  – $2.1M in appropriations
DWR: 5-Year Expenditure

<table>
<thead>
<tr>
<th>Year</th>
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<th>Receipts</th>
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<tbody>
<tr>
<td>2014-15</td>
<td>$10.9</td>
<td>$22.8</td>
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<td>2015-16</td>
<td>$10.8</td>
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<td>2016-17</td>
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<tr>
<td>2018-19</td>
<td>$12.0</td>
<td>$25.1</td>
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</table>
DWR: 2015-17 GA Budget Actions

• 2015-17 Biennial Budget
  – Added appropriations for Shallow Draft Dredging Fund = $1,579,268 R (2015-16) and $2,130,357 R (2016-17)

• 2016-17 Budget
  – Provided funds for a study and trial of alternative in-situ water treatment strategies in Jordan and Falls Lakes = $1.3M NR
Division of Coastal Management
DCM
DCM: What does the division do?

**Coastal Resources Commission**

- **Division of Coastal Management**
  - Technical Assistance & Planning
  - CAMA
  - Grants
  - Coastal reserves
    - Permitting
    - Enforcement
    - Public Beach & Waterfront Access
    - Marine Sewage Pump Out
    - Planning & Mgmt

- **48.65 FTE**
- **2017-18 Base Budget**
  - Expenditures: $6.16 M
  - Receipts: $4.79 M
  - Net Approp.: $1.37 M
Coastal Area Management Act (CAMA)

- 20 coastal counties
- 3 Types of Permits
- Compliance monitoring & enforcement
Grant Programs

**Beach & Waterfront Access**
- G.S. 113A-134.2
- 5% of PARTF
- 25% local match required

**Uses:**
- Beach access, parking
- Boardwalks, restrooms
- Urban waterfront redevelopment

**Marine Sewage Pump Out**
- Federal Clean Vessel Act
- 25% match required

**Uses:**
- Install/ renovate pump-out stations

**Planning & Mgmt Grants**
- G.S. 113A-112

**Uses:**
- CAMA land-use plans
- Implementation projects
Coastal Reserve Program

10 Sites
40,000 acres

Authorized by
G.S. 113A-129.2

Long-term research
Education
Stewardship
Division of Marine Fisheries
Division of Marine Fisheries (DMF)

243 FTE
2017-18 Base Budget
Expenditures: $23.16 M
Receipts: $7.25 M
Net Approp.: $15.91 M

Admin/ IT/ Public Information
Habitat Enhancement & Protection
Fisheries Management
License & Statistics
Marine Patrol
Shellfish Sanitation & Recreational Water Quality

Marine Fisheries Commission

Division of Marine Fisheries
DMF Program Sections

Licenses & Statistics
\\
- License, Permit Issuance
- Statistics & Economic Analysis

Habitat Enhancement & Protection
\\
- Shellfish rehabilitation
- Oyster sanctuaries

Marine Patrol
\\
- Compliance monitoring
- Inspections
DMF Program Sections

Fisheries Management

- Resource assessment & monitoring
- Fisheries & gear research
- Fisheries Management Plans

Shellfish Sanitation and Recreational Water Quality

- Monitor water quality
- Inspect processing facilities
DMF Funding History

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<td>Millions</td>
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<td>$25.00</td>
<td>$30.00</td>
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Fiscal Research Division
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Recent Legislative Actions

FY 2015-16

- $50K R for Shellfish Rehabilitation
- $450K R for Oyster Research & Development with UNC-W

FY 2016-17

- $1.03M NR + $200K R for Oyster Sanctuaries
- $149K R for 2 FTE to support shellfish production & recycling
- $300K for cultch planting (shellfish rehabilitation)
- $100K NR for Crab Pot cleanup
- $150K NR for Marine Patrol equipment
Contact Information

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