



# Oregon

Kate Brown, Governor

Department of Environmental Quality

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Kip Memmott, Director  
Secretary of State, Audits Division  
255 Capitol St. NE, Suite 500  
Salem, OR 97310

Dear Director Memmott:

This letter serves as the Oregon Department of Environmental Quality's written response to the Audit Division's final draft audit entitled "Department of Environmental Quality Should Improve the Permitting Process to Reduce Its Backlog and Better Safeguard Air Quality."

First, I'd like to express my sincere appreciation and gratitude to the Audit Division staff who assessed our air quality permitting program. They invested an incredible amount of time and energy to understand complex state and federal regulatory frameworks and to identify ways that the department can better protect Oregon's air quality. The findings described in this audit report illuminate and validate challenges that the agency has increasingly experienced over the last decade. The final report clearly identifies steps that needed to deliver the level of environmental protection that Oregonians expect and deserve.

The audit explores factors impeding DEQ's ability to meet timeliness targets for issuing and renewing air quality permits, as well as for inspecting facilities, both core functions of the agency. In addition to the detailed responses outlined below, I would like to highlight agency-wide challenges and opportunities that I, along with the DEQ Leadership Team, will be paying close attention to in 2018.

### **Organizational changes at Oregon DEQ**

In 2014 Oregon DEQ eliminated its air, water and land quality divisions and transitioned to an organizational structure designed around functions (i.e. permitting, policy and planning, etc.). It was hoped that the new model would create opportunities for cross-media environmental management strategies. Although the model did promote programmatic integration, it obscured responsibilities for performance. As a result, DEQ's Leadership Team is directing a return to a structure with clearly identified authorities and responsibilities, including air, water and land quality divisions. Another change being implemented to improve performance is direction to each of the divisions to develop annual permitting and compliance inspection plans. An Implementation Administrator will have the authority and responsibility to allocate resources among the agency's regional offices as needed to assure that these plans are met. It is my belief that these changes will facilitate efficient and strategic decision-making and enhance the agency's ability to implement key program-wide improvements, including those recommended in this report. These changes are part of a comprehensive effort to put the agency on track to deliver a level of environmental protection that is predictable for businesses, and that makes the best use of the limited resources available to the department. However, as the audit report states, process and organizational improvements are only one part of what is needed to deliver a level of environmental protection that Oregonians expect and deserve.

### Quantifying resource needs and filling vacancies

As the audit report illustrates, DEQ's air quality program has experienced a long-term decline in resources. Most recently, in the agency's 2017-2019 budget, six positions were eliminated from the Title V and Air Contaminant Discharge Permit (ACDP) programs because of inadequate funding. The agency requested a fee increase to restore four of these positions (for the ACDP program). That fee increase was not approved by the legislature. The consequences of the decline in funding are clear; permit writers have unmanageable workloads and the program cannot meet timeliness targets and address compliance obligations. As described in more detail, below, the department will work with the Governor and the legislature to document what resources are necessary for a fully-functional program during 2018.

One part of the resource shortfall identified by the audit report was a result of Oregon's hiring freeze in the spring and early summer of 2017. At this time, the department had six vacant permitting positions (two in the Northwest Region Office and four in the Western Region Office). I can report that since the statewide hiring freezes was lifted all six vacant positions have either been filled or are in active recruitment.

### Modernizing data systems and analyzing business practices

Finally, as part of the agency's work to modernize our data systems and implement an Environmental Data Management System, the Air Quality Program has been working to assess its data management needs and to document its current and desired future business processes. This detailed account of the agency's current permitting processes, which involved staff from around the state, will serve as the precursor to the Lean process improvements recommended in this audit. DEQ is determined to continue its efforts to identify and address opportunities for system improvements.

This audit report has helped to crystalize key steps needed to reduce and ultimately eliminate our permitting and inspection backlogs. Below, are our detailed responses to each of the audit report's recommendations.

#### Recommendation 1

<b>Conduct a Lean process improvement initiative to identify areas in need of improvement, as suggested by the EPA in 2016.</b> a) As a first step, improve tracking of the permit backlog.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
DEQ agrees with this recommendation	DEQ will conduct a Lean Kaizen event in 2018 and begin implementation of process improvements in 2018.	Jaclyn Palermo Air Programs Operations Manager 503-229-6491

DEQ will begin a workload analysis to better assess resource needs and identify opportunities for improvements. The initial workload analysis, which will incorporate a time tracking element, will be performed from January to March 2018. A Lean mapping tool called Swim Lanes will be utilized to illustrate and document current workflow and processes. The swim lane mapping will occur in parallel to the workload analysis and will be completed by May 2018. The agency will leverage existing resources when mapping processes, including documentation from the NW region office and the EDMS scoping project.

Once the baseline workload analysis is completed and the permit process is mapped, the Lean process improvement will be scoped out. A business case will be developed and DEQ will work with stakeholders to participate in the process. Lean scoping will occur in spring of 2018.

A week-long process improvement work session, referred to as a Kaizen event, will occur once the business plan and stakeholders are identified. The Kaizen event identifies improvement tasks and a roadmap for implementing those improvements that are documented in a work implementation plan at the end of the event. Depending on the size and scale of the identified projects, the implementation will occur between May and December 2018. The workload analysis will be reevaluated based on the improvements made. The agency will document gradual improvements and expects to continue implementing improvement tasks through May 2019.

DEQ has already begun work that will support implementation of a Lean process. DEQ works closely with Environmental Protection Agency (EPA), Region 10 office on air quality regulations and permitting implementation, including the federal Title V program, which has largely been delegated to DEQ. As part of a routine audit process, EPA Region 10 identified similar improvement opportunities and provided feedback in an EPA permitting audit to DEQ in 2016. DEQ will continue implementing improvements based on EPA findings in tandem with conducting the Lean process improvement recommended by this audit.

EPA Region 10 also works closely with neighboring states and is aware of permitting improvement efforts that could benefit Oregon. DEQ has been in contact with EPA to see how they can provide technical assistance to DEQ to help achieve the goals set out in both the EPA and the Secretary of State audit report's recommendations. Specifically, DEQ will be seeking EPA's permitting process expertise and knowledge of statewide permitting improvement processes. In addition to consultation with EPA, DEQ intends to reach out directly to state programs, including those interviewed by Audit Division staff, to learn about their efforts to successfully eliminate permit backlogs.

## Recommendation 2

<b>Centralize and improve inspection tracking to ensure compliance inspections are completed timely.</b>		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	A new interim tracking tool already is in place. A more sophisticated tracking tool will be developed as part of the new Environmental Data Management System (EDMS).	Jaclyn Palermo

DEQ has begun using a centralized inspection-tracking tool that allows for all of the regions monitor compliance inspections deadlines to ensure inspections are completed within DEQ's inspection frequency goals. This spreadsheet tool is an interim solution pending inclusion of inspection tracking in DEQ's design of a comprehensive Electronic Data Management System (EDMS). The EDMS is currently in the scoping phase, and inspection tracking has been identified by Air permitting managers as a priority need. The scoping phase identified the need to support inspections planning and management, including entry of inspections notes and attaching supporting materials. The timing of when a full inspection tracking system will be implemented as part of EDMS will be determined by the fourth quarter of 2018.

**Recommendation 3**

<b>Implement the Basic Air Contaminant Discharge permit for Auto body Repair Facilities in the Northwest Region.</b>		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	July 1, 2018	Michael Orman Air Quality Manager, NW Region (503) 229-5160

The Northwest Region Air Quality Section has created an implementation plan for the Basic ACDP for Auto body Repair Facilities. NW Region staff will reach out to stakeholders in Feb 2018, to explain the purpose for the permit, which business are subject to the permit, and the timeframes for implementation. DEQ will use information from the stakeholder discussions to provide guidance and technical assistance to regulated facilities throughout the implementation process. NW region staff will use a list of facilities that met the exemption for the General ACDP for Surface Coaters as a starting point for identifying facilities that require coverage under the Basic ACDP. The agency will send applications and guidance information to those on the list that fall within the Portland Air Quality Management Area in March 2018. Facilities that receive applications must submit completed applications and fees, or submit information demonstrating that the facilities do not meet the applicability criteria for coverage under the Basic ACDP, within 60 days of receiving the request from DEQ. NW region will then issue permits to those on the list that meet the criteria for coverage by June 30, 2018. Moving forward, the agency will use complaint information and inspector data to identify additional facilities that may require coverage under the Basic ACDP and make an applicability determination on a case-by-case basis.

**Recommendation 4**

<b>Determine staffing levels needed to issue air quality permits and complete inspections within established timeframes, based on current and projected workloads. Based on the results of the analysis, work with the legislature to identify potential sources of funding for additional staff, to better align workload demands with appropriate staffing levels.</b>		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	DEQ will have a workload analysis completed by July 1, 2018.	Jaclyn Palermo  Matt Davis Senior Legislative Analyst 503-229-5687

As described in the response to Recommendation 1, the agency will be conducting a workload analysis in the winter and spring of 2018. The results of this analysis will become the foundation for future work to better align staffing levels with workload demands.

Audit staff identified that DEQ permit writers carry a heavier workload than many “like” agencies and noted that “appropriate staffing would go a long way toward reducing permit backlogs in Oregon.” The workload analysis mentioned above will include an analysis of related work that decrease the time available for permit writing, this includes rule writing, inspections and enforcement, and responding to emergencies. The management team will be assess current workloads, projected workloads and permit workloads in neighboring states.

DEQ will share the results of our workload analysis with stakeholders as part of the agency’s development of an Agency Request Budget for the 2019-2021 biennium. Based on the workload analysis and stakeholder input, the agency will work with the Governor and the legislature to identify the resources necessary to “right-size” the program. The agency will also work with the Governor and the legislature and stakeholders to explore approaches to funding the program at levels comparable to other similarly-situated states.

**Recommendation 5**

<b>Fill vacancies in as timely a manner as possible given the highly technical nature of permitting positions and the potential difficulty finding qualified applicants.</b>		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	DEQ has already filled some of the positions, and will have all seven positions filled no later than July 1, 2018.	Jaclyn Palermo

In implementing the 2017-19 Legislative Adopted Budget, DEQ has prioritized filling vacant permitting positions. Of the seven vacant positions identified by Audit Division staff in the summer of 2017, two have been filled and the remaining positions are all in recruitment and are expected to be filled shortly. DEQ will have all seven positions filled no later than July 1, 2018. DEQ will continue to prioritize the filling of vacant permitting positions to ensure all available resources in the permitting program are deployed. DEQ will also explore additional recruitment outlets and methods to attract a larger qualifying candidate pool.

**Recommendation 6**

<b>Work with the Chief Human Resources Office within the Department of Administrative Services to begin the succession planning process.</b>		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	By July 1, 2018.	Scott Brewen Central Services Division Administrator 503) 229-5045

Succession planning is a priority across DEQ and many state agencies. DEQ is working with the Department of Administrative Services (DAS) as part of a statewide project on this issue, and will implement succession planning projects that are consistent with that effort. The initial succession planning tools for the DAS project

are scheduled to be completed by February 2018, with the full website resource available by July 2018. The full DAS website implementation is scheduled for September 2018, and DEQ is committed to work with DAS to be an early implementer of the succession planning process.

In addition to DEQ's succession planning work and interaction with DAS, the air permitting managers will identify at least one position in each of their respective regions where only one staff-person has the knowledge, skills, and ability to do the work. The managers will begin capturing processes that are not already documented for this position. Additionally, this analysis will serve as a precursor to a broader needs assessment for the air quality program with respect to succession planning.

**Recommendation 7**

<p><b>The DEQ headquarters team should provide consistent guidance and support for regional permit writing staff, including:</b>  <b>Current and ongoing guidance on new rule interpretation and implementation;</b>  <b>Checklists to help determine application completeness;</b>  <b>Documentation of up-to-date permit writing policies, procedures, and processes stored in a centralized and accessible location;</b>  <b>Update the permit writers' manual and store it in a centralized and accessible location; and</b>  <b>Update relevant permitting forms and templates and store in a centralized and accessible location.</b></p>		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
<p>Agree</p>	<p>DEQ will document the current state of permitting forms, templates, and the permit writers' manual by July 1, 2018 to improve consistency between regions. A second phase of updated and centralized forms, templates and manuals will be carried out in connection with the Lean Kaizen work that the program carries out in 2018.</p>	<p>Jaclyn Palermo</p>

DEQ will first assure that the current permit writers' manual, relevant permitting forms and templates, and current guidance on rules are consistent between regions. DEQ will then work on updated guidance and tools later in 2018, coming out of the Lean Kaizen work described in the response to Recommendation # 1. Additionally, DEQ will develop new guidance and tools to help permitting staff determine application completeness. Since both current guidance and new documents will be discussed in the May 2018 Kaizen and work plan, the tools and guidance documents will be evaluated and updated as part of the continuous improvement efforts. The guidance will remain consistent statewide and will be updated as the needs of the permitting program evolve.

The agency expects the Lean process improvement activities described in our response to Recommendation # 1 will lead to the identification of specific tools and guidance documents to support permit writing. DEQ will also contact states that have effective tools in place and evaluate if those tools are applicable and easily

adaptable to Oregon’s program. DEQ will dedicate staff time, specifically staff from the Lead Permit Writers group and the Project Management pool to complete the tasks identified in this recommendation. Depending on the size and scale of the identified projects, the implementation will occur in 2018 and 2019. The agency expects some of the more comprehensive improvements will require more time, extending into 2019.

**Recommendation 8**

<b>Improve pre-application guidance for applicants, including development of such documents as: permitting process overview; completeness determination checklist for applicants; and guidance written in plain language.</b>		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	Current guidance will be evaluated and additional tools identified in a Lean Kaizen event in May 2018. Implementation will be completed by December 2018.	Jaclyn Palermo

DEQ is hiring two new communications staff. A Communications Manager working across the agency, and an Air Quality Communications Coordinator. The people in these positions will be instrumental to the agency’s ability to improve the readability and usability of externally-facing guidance documents. The air program will identify a team of subject matter experts and communications staff to review and, as necessary, update tools available to the public and regulated entities.

As part of the Lean process improvement efforts, DEQ will work with stakeholders to assess the needs of the facilities that submit air quality permit applications, and to inform the development of permitting processes checklist and guidance documents. DEQ will complete the revision of guidance documents in 2018.

**Recommendation 9**

<b>Improve the Title V and ACDP permitting webpages to enhance usability for permit applicants, especially as it relates to content, navigation, and organization.</b>		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	By July 1, 2018.	Jaclyn Palermo

DEQ recently underwent a website integration project to ensure it is compatible and consistent with State requirements, which was completed in the spring of 2017. The website conversion has caused some confusion for stakeholder groups familiar with our previous website layout. DEQ will work with stakeholders, industry associations and community groups to make the Title V and ACDP permitting webpages more user friendly, while still maintaining adherence with state agency website requirements.

Specifically, the agency will use website analytics and stakeholder feedback to identify the most frequently accessed pages and tools and explore options for making those resources more prominent and easy to find.

**Recommendation 10**

<b>Provide clear information to the public on the purpose of public comment and participation in the issuance phase in the permitting process, including what DEQ can and cannot do as a result.</b>		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	By the end of 2018.	Jaclyn Palermo

Better describing the role of, and opportunities for, public comment in decisions about air quality permits is an important long-term effort. As noted in the audit report, communities often perceive public engagement around environmental permits as an opportunity to revisit whether a particular facility should be located at its current site. In fact, DEQ is required by law to issue permits for a facility if that facility has shown that it will meet the applicable environmental standards. Public engagement often can be more productive if it is focused on land use planning – largely a local government function, or on environmental standards – largely a state and federal function. DEQ will undertake the following activities to help make public engagement more productive:

- DEQ permit writing staff and communications staff will review template public notice communications, and assess opportunities to better communicate what decision is being made, and the types of information the agency can and cannot consider in making permitting decisions. Changes to these communications will be completed by July 1, 2018.
- DEQ leadership will engage local and state agencies responsible for planning where particular types of land uses should be located, to discuss whether potential environmental conflicts between types of land uses can and should be more expressly included as part of long-range planning for communities.
- DEQ is currently recruiting for an Air Quality Administrator. The administrator will be responsible for creating opportunities for the public to engage with DEQ on air quality issues not germane to a specific permit action, including changes to environmental standards. Creating these opportunities, while clarifying the purpose of permit public hearings, will make public engagement more constructive and effective. The agency views this work as a longer-term and ongoing strategy.

Once again, please thank your staff for their thorough and balanced evaluation of the department’s air permitting and compliance inspection activities. If you have any questions about our response or would like an update on our progress to implement the recommendations outlined above, please do not hesitate to contact me.

Sincerely,



Richard Whitman, Director  
Oregon Department of Environmental Quality