

Governor's 2016 Supplemental Budget Proposal - Operating

Rev Dec-18-2015

Operating \$ in thousands - Biennialized FTEs	2016 Supplemental Proposal				
	FTE	GF-State	MTCA	Other	Total
2015-17 Base Budget	1,610.6	49,489	178,182	247,530	475,201
2016 Maintenance Level Changes					
1 Public Participation Grant Reduction	0		(1,300)		(1,300)
2 Technical Correction- Compensation				834	834
3 Other Statewide Adjustments*		(25)	206	108	289
2016 Policy Level Changes					
Deliver Integrated Water Solutions					
4 Rain Gage Operation & Maintenance	0.5			86	86
5 Fund Shift from Water Quality Permit Account			(2,400)	2,400	-
6 Fund Shift to Reclamation Account		(750)		750	-
7 Shift Water Resource Data System		(400)		400	-
Prevent and Reduce Toxic Threats					
8 Implement Chemical Action Plans	3.7	-	1,453		1,453
9 Air Quality Fund Shift			(700)	700	-
Other					
10 HQ Emerg. Gen & HVAC COP	0.0	271	827	453	1,551
11 Attendance Tracking Replacement Project	1.5	319	994	562	1,875
12 Regional and Field Office Moves		90	281	160	531
13 Reduce Water Expenditures to Match Revenue				(297)	(297)
Total Changes	5.7	(495)	(639)	6,156	5,022
Total Proposed Operating Budget Request	1,616.3	48,994	177,543	253,686	480,223

*Includes statewide adjustments to Worker's Comp., Self-insurance, audit services, legal services, CTS and DES central services, TLA debt service, and lean management.

Protecting the Environment | Ensuring Public Health | Supporting Economic Growth & Jobs

As the lead environmental agency in Washington, the Department of Ecology is dedicated to addressing many challenges facing our natural resources. Making smart investments with fewer resources in priority areas is important to both the economic success and environmental health of our state. At Ecology, we are specifically focused on:

- Reducing and preparing for climate impacts
- Preventing and reducing toxic threats
- Delivering integrated water solutions
- Protecting and restoring Puget Sound

The following summarizes each proposal. The numbers for each item correspond with the numbers in the spreadsheet at the beginning of this section on operating.

Maintenance Level

- 1. Public Participation Grant Reduction. (\$1,300,000).** Public participation grants enable not-for-profit public interest groups to involve and educate Washington residents about contaminated site cleanups and reduction of waste and toxics. Per RCW 70.105D.070, public participation grants must be funded at one percent of the moneys collected under the hazardous substance tax (HST). Funding is reduced on an ongoing basis to equalize 2015-17 expenditures with forecasted HST revenue, reducing capacity to fund approximately ten grant proposals. (State Toxics Control Account (STCA) – Note: Should be Environmental Legacy Stewardship Account)

2. **Technical Correction – Compensation. \$834,000.** Changes to state employee pay and benefits that were approved in the 2015-17 budget were not uploaded into certain budgeted programs and accounts. This item makes the correction. (Radioactive Mixed Waste Account)
3. **Other Statewide Adjustments. \$289,000.**
 - a. **Audit Services.** The agency's budget is adjusted to update anticipated charges for state audit services and to shift funding between fiscal years to reflect the State Auditor's audit schedule. (Multiple accounts)
 - b. **CTS Central Services.** The agency's budget is adjusted to update its share of the state network, security gateways, enterprise security infrastructure, and secure file transfer charges from the Consolidated Technology Services Agency. (Multiple accounts)
 - c. **DES Central Services.** The agency's budget is adjusted to update its allocated share of the following charges from the Department of Enterprise Services: small agency financial services, capital project surcharge, campus utilities, campus employee parking, financing cost recovery, public and historic facilities, and risk management administration. Additionally, small agency human resources clients are provided expenditure authority to pay for human resources services. (Multiple accounts)
 - d. **Lean Management Practices.** Chapter 4, Laws of 2015, 3rd Special Session directs the Office of Financial Management to reduce agency allotments in the 2015-17 Biennium to reflect efficiency savings. The reduced appropriations associated with the efficiency savings are reflected in agency budgets, and the corresponding reduction in the back of the budget is reversed. (GF-State)
 - e. **Legal Services.** The agency's budget is adjusted to reflect updated estimates of anticipated usage of Attorney General's Office legal services. (Multiple accounts)
 - f. **Self-Insurance Liability Premium.** Based on a new actuarial report, updated risk factors were applied to agency self-insurance premiums, causing some to rise and some to fall. (Multiple accounts)
 - g. **Time, Leave and Attendance System.** The agency's budget is increased to pay the remaining debt service for the Time, Leave and Attendance system. (Multiple accounts)
 - h. **Workers' Compensation Changes.** The agency's budget is adjusted to reflect increased workers' compensation rates. (Multiple accounts)

Policy Level

Deliver Integrated Water Solutions

4. **Rain Gage Operation and Maintenance. \$86,000, 0.5 FTE.** The 2014 Carlton Complex fire burned 400 square miles in Okanogan County. The fire destroyed vegetation, increasing the risk of flash flooding during periods of heavy rainfall. To protect lives, the Department of Ecology deployed 17 rain gauges in the burned area, giving early warnings of flash floods during rain events. Ongoing funding and FTE are provided for operation, maintenance, and repair of these gauges, as well as monitoring, management, and transmission of the data they produce. (Flood Control Assistance Account)
5. **Fund Shift from Water Quality Permit Account. \$2,400,000.** A total of \$2.4 million in Water Quality Program costs is shifted on a one-time basis to the Water Quality Permit Account from STCA. (STCA, Water Quality Permit Account)
6. **Fund Shift to Reclamation Account. \$750,000.** A one-time shift in funding is made from GF-State to the Reclamation Account for activities in the Water Resources Program. (GF-State, Reclamation Account)
7. **Shift Water Resource Data System. \$400,000.** A total of \$400,000 in Water Resource Program costs is shifted on a one-time basis from GF-State to the Water Rights Tracking System Account. (GF-State, Water Rights Tracking System Account)

Prevent and Reduce Toxic Threats

8. **Implement Chemical Action Plans. \$1,453,000, 3.7 FTEs.** Thousands of toxic chemicals are currently in use, and some have characteristics that make them challenging and expensive to deal with if they are released into the environment. Often such chemicals impact air, water, and sediment, resulting in a high likelihood that people and the environment will be harmed. Ecology addresses such chemicals through chemical action plans (CAPs). Ecology currently has funding to develop one CAP on an ongoing basis every three years, and no funding to implement new CAP recommendations. Funding and FTE are provided to increase the pace of CAP development and implement key CAP recommendations to reduce the impacts of toxic chemicals in Washington. (STCA)
9. **Air Quality Fund Shift. \$700,000.** A total of \$700,000 in Air Quality Program costs is shifted on a one-time basis from STCA to the Air Pollution Control Account. (STCA, Air Pollution Control Account)

Other

10. **HQ Emergency Generator and HVAC COP. \$1,551,000.** The Department of Ecology is using certificates of participation (COP) to finance upgrades to the heating, ventilation, and air conditioning system (HVAC) and to replace the emergency generator at its headquarters facility in Lacey. The HVAC was kept in service beyond its life expectancy, creating maintenance challenges, inefficient use of energy, and other problems. The generator replacement was needed to bring it up to code and protect Ecology's employees and business systems by reliably providing power during an outage. A combination of one-time and ongoing funding is provided for debt service for these COPs. (Multiple accounts)
11. **Attendance Tracking Replacement Project. \$1,875,000, 1.5 FTEs.** Ecology's computer-based time-management system is outdated, inefficient and no longer fulfills today's business and compliance requirements. In 2013, Washington State procured user licenses for the WorkForce Software EmpCenter product as part of the planned statewide Time, Leave and Attendance project in which Ecology and the Department of Transportation participated. Even though the statewide project was discontinued, Ecology still needs to replace its obsolete system and implement a modern employee time and attendance tracking system that reduces risk to Ecology by improving compliance with statutory, regulatory, and collective bargaining agreement rules, and improving accuracy and efficiency in employee time reporting. One-time funding and FTE are provided to implement the system including software design, project management, employee training and quality assurance. (Multiple accounts)
12. **Regional and Field Office Moves. \$531,000.** Ecology's Vancouver field office is scheduled for relocation during the 2015-17 Biennium, and the Bellingham field office is scheduled to move at the end of Fiscal Year 2017. Ongoing funding is provided to cover lease costs and one-time funding is provided to move staff, equipment, furniture, IT infrastructure, and Ecology records. (Various accounts)
13. **Reduce Water Expenditures to Match Revenue. (\$297,000).** Operating funding in the State and Local Improvement Revolving Account-Water Supply Facilities supports water resources work at the Department of Ecology, as well as bond-supported capital grants and loans for agricultural water supply facilities. In recent years, operating revenue has been insufficient to cover operating expenditure authority. Funding is reduced permanently to a level that can be supported with anticipated operating revenue. (State and Local Improvement Revolving Account-Water Supply Facilities)

Governor's 2016 Supplemental Budget Proposal- Capital

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Capital

\$ in thousands

	2016 Supplemental Proposal		
	SBCA	Other	Total
Protect and Restore Puget Sound			
1. Cleanup Toxic Sites Puget Sound	5,819	(5,819)	-
Deliver Integrated Water Solutions			
2. Centennial Clean Water Program	1,500		1,500
3. Drought Response	(2,000)	(4,500)	(6,500)
Prevent and Reduce Toxic Threats			
4. Remedial Action Grants	13,933	(13,933)	-
5. Eastern Washington Clean Sites Initiative	4,577	(4,577)	-
6. Leaking Tank Model Remedies	1,154	(1,154)	-
Total Proposed Capital Budget Request	24,983	(29,983)	(5,000)

Protecting the Environment | Ensuring Public Health | Supporting Economic Growth & Jobs

The Governor's 2016 Supplemental Capital Budget proposal promotes local economic development (e.g., cleaning up contaminated sites for redevelopment); creates jobs; addresses local environmental and public health priorities; provides financial incentives to compliance with state laws; and provides funding for many local government priorities. At Ecology, we are specifically focused on:

- Reducing and preparing for climate impacts
- Preventing and reducing toxic threats
- Delivering integrated water solutions
- Protecting and restoring Puget Sound

The Governor's capital proposal nets to a reduction of \$5 million, and provides \$25.5 million in backfill funding to help address the Model Toxics Control Act (MTCA) revenue shortfall.

November 2015 MTCA Revenue Forecast

Since the May 2015 forecast, actual and projected revenue for the MTCA accounts dropped by \$68 million, leaving a projected negative fund balance of about \$71 million for the 2015-17 Biennium. This revenue decline, and the direction provided in the enacted 2015-17 Capital Budget, mean funding is not available to start the majority of important new cleanup projects appropriated in the budget.

The enacted budget provided three tools for managing cash in the MTCA accounts in Section 7038 of the 2015-17 Biennium capital budget bill (2EHB 1115):

1. Authorized transfers between the accounts to maintain positive account balances.
2. Authorized Cleanup Settlement Account loan of up to \$13 million repaid with interest in three equal payments beginning in 2018.
3. Authorized Ecology to delay the start of cleanup projects.

Ecology is using all of these tools in light of this major revenue decline.

Ecology will spend new bond dollars before MTCA in two non-cleanup projects—Centennial and Stormwater. The enacted budget already assumes \$121 million of MTCA expenditures will occur in the 2017-19 Biennium. By spending bond dollars first, it moves another \$14 million of MTCA spending into 2017-19, for a total of \$135 million. This frees up \$14 million in MTCA for cleanup projects in 2015-17, but it also pushes more MTCA spending into 2017-19.

By taking the \$13 million Cleanup Settlement Account loan, and spending \$14 million in bond dollars first, the projected revenue shortfall for 2015-17 is \$44 million ($\$71\text{ M} - \$13\text{ M} - \$14\text{ M} = \44 M). Of the \$57 million needed this biennium to start the cleanup projects funded in the enacted 2015-17 capital budget, there is less than \$13 million available for funding.

Addressing the MTCA Revenue Shortfall

In addition to the actions Ecology has taken, the Governor's budget proposals provide solutions that help address the revenue shortfall. These include:

- Backfilling with \$25.5 million in bond funding for capital projects identified with *.
- One-time operating budget expenditure shifts from MTCA accounts to dedicated accounts.
- Transfers of dedicated fund balances to MTCA accounts in the operating budget (section 804).

Under the Governor's proposal, \$39 million of cleanup projects would be funded in the 2015-17 Biennium, bringing the revenue shortfall to less than \$18 million ($\44 M original shortfall - $\$26\text{ M}$ Gov's solutions = $\$18\text{ M}$ remaining shortfall). The enacted budget assumed \$43.7 million of the \$101 million for new capital cleanup projects would be spent in future biennia, counting on future revenue to cover those costs. The \$18 million shortfall in 2015-17 and the \$43.7 million in assumed future expenditures would result in \$61 million in cleanup projects being delayed until MTCA revenue is available, as described in Ecology's cash management plan. If the Legislature passes the solutions proposed in the Governor's 2016 supplemental budgets, it will mean the highest priority cleanup projects from the enacted budget will get started this biennium.

Protect and Restore Puget Sound

1. ***Clean Up Toxic Sites Puget Sound.** A significant source of pollution to Puget Sound is contaminated sites around the basin and its shorelines. For more than ten years, Ecology has been identifying and cleaning up contaminated sites in the Puget Sound basin. This emphasis on Puget Sound bay wide cleanup and surrounding areas has highlighted a valuable link between toxic site cleanup and habitat restoration. The 2015-17 enacted budget provided \$22.5 million of State Toxics Control Account (STCA) appropriation for new Clean Up Toxic Sites – Puget Sound in the 2015-17 Capital Budget. This was done assuming \$8.6 million of this appropriation would be spent in the 2017-19 Biennium. The Governor's proposal provides \$5.8 million in State Building Construction Account (SBCA) backfill funding to offset the shortfall in MTCA revenue in the 2015-17 Biennium. Providing backfill funding will keep important cleanup work on schedule and in line with the original legislative budget assumptions. (STCA, SBCA)

Deliver Integrated Water Solutions

2. **Centennial Clean Water Program. \$15 million.** The enacted 2015-17 Capital Budget funded Ecology's Centennial Clean Water Program (CCWP) at \$20 million. This is the lowest funding level in over 20 years. CCWP provides grants to public entities to finance construction of water pollution control facilities and nonpoint pollution control projects. Grant recipients are local governments and tribes that use funds to address high priority, statewide water quality needs focused on updating aging (and building new) wastewater facilities, and controlling dispersed sources of pollution through implementing water quality best management practices. The Governor's 2016 supplemental proposal funds an additional \$1.5 million for match of the federal 319 grant. (SBCA)
3. **Drought Response. (\$6.5) million.** The enacted 2015-17 Capital Budget provided drought relief funding of \$14 million in the State Drought Preparedness Account (SDPA), and \$2 million in SBCA. The Governor's 2016 supplemental budget reduces appropriations for drought response to \$9.5 million in SDPA. Ecology estimates that roughly \$7 million will be spent on actions like fish passage improvements, water leasing, and emergency wells to address the 2015 statewide drought emergency. The remainder of funding will be used to implement drought response actions in 2016 if another drought emergency is declared.

Prevent and Reduce Toxic Threats

4. ***Remedial Action Grants.** Ecology manages the Remedial Action (RA) grant program to help local governments clean up contaminated sites in Washington State. The 2015-17 enacted budget provided \$65 million of Local Toxics Control Account (LTCA) appropriation for new RA grants in the 2015-17 Capital Budget. This was done assuming about half of this appropriation (\$32 million) would be spent in the 2017-19 Biennium. The Governor's proposal provides \$13.9 million in SBCA backfill funding to offset the shortfall in MTCA revenue in the 2015-17 Biennium. Providing backfill funding will keep important cleanup work on schedule and in line with the original legislative budget assumptions. (LTCA, SBCA)
5. ***Eastern Washington Clean Sites Initiative.** There are properties in Eastern Washington contaminated with hazardous wastes that have been abandoned or have owners unwilling or unable to pay for site investigation and cleanup. Without cleanup, these sites pose threats to public health, the environment, groundwater, and fish and wildlife resources. Cleaning up these areas protects public and environmental health, creates jobs, and promotes economic growth as these sites are redeveloped. The 2015-17 enacted budget provided \$11 million of STCA appropriation for the new Eastern Washington Clean Sites Initiative in the 2015-17 Capital Budget. This was done assuming \$3.3 million of this appropriation would be spent in the 2017-19 Biennium. The Governor's proposal provides \$4.6 million in SBCA backfill funding to offset the shortfall in MTCA revenue in the 2015-17 Biennium. Providing backfill funding will keep important cleanup work on schedule and in line with the original legislative budget assumptions. (STCA, SBCA)
6. ***Leaking Tank Model Remedies.** Model remedies are cleanup actions that Ecology has pre-approved for specific categories of contaminated sites. This streamlines the cleanup process so protective cleanup actions are faster and less expensive. In response to legislation passed in 2013, Ecology is developing model remedies to address leaking fuel tanks and other common types of contaminated sites to help quickly and effectively restore the environment and protect public health. Leaks from underground fuel tanks can contaminate groundwater and cause significant environmental and human health risks. This work focuses on developing, implementing, and evaluating these model remedies. The enacted budget provided \$2 million of STCA appropriation for Leaking Tank Model Remedies in the 2015-17 Capital Budget. The Governor's proposal provides \$1.2 million in SBCA backfill funding to offset the shortfall in MTCA revenue in the 2015-17 Biennium. Providing backfill funding will keep important cleanup work on schedule and in line with the original legislative budget assumptions. (STCA, SBCA)