

## 2016 Supplemental Budget Request - Operating

Operating \$ in thousands - Biennialized FTEs	2016 Operating Supplemental Request			
	FTE	GF-State	Other	Total
2015-17 Base Budget	1,610.6	49,489	425,711	475,200
<b>2016 Maintenance Level Changes</b>				
1. HQ Emergency Generator & HVAC COP	0.0	271	1,279	1,550
2. Rain Gage Operation & Maintenance	0.5	87	-	87
<b>2016 Policy Level Changes</b>				
<b>Deliver Integrated Water Solutions</b>				
3. Mitigating Transportation Projects	0.8	131	-	131
4. Emergency Flood Response Grants	0.0	-	450	450
<b>Prevent and Reduce Toxic Threats</b>				
5. Implement Chemical Action Plans	3.7	-	1,653	1,653
<b>Other</b>				
6. Ecology Labor System Replacement	2.0	2,058	153	2,211
7. Regional and Field Office Moves	0.1	122	574	696
<b>Total Budget Impact</b>	<b>6.95</b>	<b>2,669</b>	<b>4,109</b>	<b>6,778</b>
<b>Total Proposed Operating Budget Request</b>	<b>1,617.6</b>	<b>52,158</b>	<b>429,820</b>	<b>481,978</b>

### 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

Ecology's Operating Budget request totals \$6.8 million. This budget was developed recognizing economic recovery is slow, and demand on state resources remains high (e.g., funding for basic education from the State General Fund).

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

#### Maintenance Level

- 1. HQ Emergency Generator and HVAC COP. \$1,550,000.** Ecology is requesting appropriation for a Certificate of Participation (COP) to finance upgrades to the HVAC system and replace the emergency generator at the Lacey headquarters building. The current HVAC system is beyond its life expectancy. Upgrading the system and replacing worn out infrastructure will save in maintenance costs, reduce energy use, protect Ecology's data network, and provide a more healthy indoor air environment for Ecology's employees, building tenants, and visitors. The current generator is more than 20 years old, unable to provide reliable emergency power, and is not up to code. Replacing this generator will bring the system up to code and protect Ecology's employees and business systems during a power outage. (Various accounts)

- 2. Rain Gage Operation and Maintenance. \$87,000, 0.5 FTE.** Ecology requests ongoing support for operating and maintaining an early warning rain gage network to protect lives and personal property in the area impacted by the Carlton Complex Fire. These gages were installed last year at the request of the Okanogan County Conservation District through the Governor's Office, but there is no funding to continue operating and maintaining the gages beyond the 2013-15 biennium. The National Weather Service actively uses the data from these rain gages in their forecast and warning programs for these areas to help mitigate the impacts of future disasters. (General Fund-State)

## Policy Level

### Deliver Integrated Water Solutions

- 3. Mitigating Transportation Projects. \$131,000, 0.8 FTE.** The Legislature passed a bill during the 2015 session that requires Ecology, the Washington State Department of Transportation (WSDOT), and the Washington State Department of Fish and Wildlife (WDFW) to maximize opportunities for using fish passage barrier corrections as compensation for WSDOT project impacts. However, the bill passed after the 2015-17 Operating Budget passed, and Ecology did not receive funding for the new work required by the bill. This request will provide Ecology the resources needed to develop a framework that encourages local fish passage barrier mitigation related to WSDOT projects. (General Fund-State)
- 4. Emergency Flood Response Grants. \$450,000.** Flood emergencies affecting small communities often do not trigger official "emergency" status, so they don't qualify for state Emergency Management Division or federal assistance. The Flood Control Assistance Account (FCAA) provides critical support for emergency and preventative work to rural and small communities. As an example, the FCAA funded Washington Conservation Corps' response to Hoquiam's locally-significant flooding and related landslides in January 2015. This was the only state emergency assistance available to Hoquiam to address the devastating aftermath of the flooding. Ecology requests one-time appropriation of the \$450,000 fund balance in the FCAA to address similar priority emergency flood response and prevention actions during the 2015-17 biennium. (Flood Control Assistance Account)

### Prevent and Reduce Toxic Threats

- 5. Implement Chemical Action Plans. \$1,653,000, 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 every three years, and no funding to implement CAP recommendations. This request will increase the pace of CAP development and provide funding to implement key CAP recommendations to reduce the impacts of toxic chemicals in Washington. Related to Puget Sound Action Agenda implementation. (State Toxics Control Account)

### Other

- 6. Ecology Labor System Replacement. \$2,211,000, 2.0 FTEs.** Ecology's time management system is outdated, inefficient, and no longer meets the business and compliance needs for our work. In 2013, Washington State procured user licenses for the WorkForce Software EmpCenter product as part of the planned enterprise time, leave, and attendance project that Ecology and the Department of Transportation participated in. Even though this project was discontinued, Ecology still needs to replace the agency's obsolete system and implement a labor tracking system that leverages the state's recent investment. This

solution will reduce risk to Ecology by improving compliance with statutory, regulatory, and collective bargaining agreement rules and improve accuracy and efficiency in labor time reporting. (Various accounts)

- 7. Regional and Field Office Moves. \$696,000, 0.1 FTE.** 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. Ecology is requesting additional appropriation to cover the lease costs and costs for coordinating and moving staff, equipment, furniture, IT infrastructure, and Ecology records. (Various accounts)



## 2016 Supplemental Budget Request - Capital

Capital \$ in thousands - Biennialized FTEs	2016 Capital Supplemental Request		
	SBCA	Other	Total
<b>Protect and Restore Puget Sound</b>			
1. Clean up Toxic Sites Puget Sound	8,188	(8,188)	-
<b>Deliver Integrated Water Solutions</b>			
2. Centennial Clean Water Program	15,000		15,000
<b>Prevent and Reduce Toxic Threats</b>			
3. Remedial Action Grants	19,604	(19,604)	-
4. Eastern Washington Clean Sites Initiative	6,440	(6,440)	-
5. Swift Creek Natural Asbestos Cleanup	3,800		3,800
6. Leaking Tank Model Remedies	1,624	(1,624)	-
<b>Total Proposed Capital Budget Request</b>	<b>54,656</b>	<b>(35,856)</b>	<b>18,800</b>

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

Ecology's 2016 Supplemental Capital Budget request 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 2016 Supplemental capital request totals \$18.8 million for new projects, and requests \$35.9 million in backfill funding for the estimated 2015-17 Model Toxics Control Act (MTCA) account expenditures from the enacted 2015-17 Capital Budget.

### September 2015 MTCA Revenue Forecast

Since the May 2015 forecast, actual and projected revenue for the MTCA accounts dropped by \$60 million, leaving a projected negative fund balance of about \$63 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.

In addition to the tools provided in Section 7038 of the capital budget, Ecology is actively managing the shortfall by closely monitoring actual revenue collections and expenditures on a monthly basis, and communicating this situation and information to our local funding partners and other state agencies that receive MTCA dollars. Ecology is also closely screening MTCA-supported operating budget spending.

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.

### Addressing the MTCA Revenue Shortfall

Ecology is requesting \$35.9 million in State Building Construction Account (SBCA) backfill dollars in the 2016 Supplemental Capital Budget for fully ready-to-proceed projects to offset the shortfall in MTCA revenue in the 2015-17 biennium. This is the expected spending need for cleanup projects in the current biennium. Attachment A includes a detailed breakdown of the revenue shortfall, the enacted budget appropriations for cleanup projects, the assumed future expenditure amounts, and calculations for the \$35.9 million backfill request. Providing backfill funding will keep important cleanup work on schedule and in line with the original legislative budget assumptions. If a short-term alternative solution is not provided, Ecology will have to delay new cleanup projects until revenue recovers in the MTCA accounts.

When including the \$14 million SBCA adjustment, Ecology estimates **a total of \$18 million** will be available for new cleanup projects in 2015-17, unless there is a legislative fix that fills the revenue shortfall. In comparison, new cleanup capital investments have been **around \$100 million** each biennium over the last few biennia. The requests for backfill SBCA dollars will fund the capital budget as the Legislature originally intended and give Ecology the resources to implement the budget as originally passed (these are noted below with an \*).

### Protect and Restore Puget Sound

1. **\*Clean up Toxic Sites Puget Sound.** A significant source of pollution to the 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. Ecology refers to this as “future expenditures assumed in the enacted budget.” Since the May 2015 revenue forecast, actual and projected revenue for the Model Toxics Control Act (MTCA) accounts dropped by \$60 million, leaving a projected overall MTCA fund balance for the biennium of negative \$63 million. This revenue decline and the direction provided in the enacted budget mean funding is not available to start the majority of these important projects. Ecology requests State Building Construction Account (SBCA) dollars of \$8.2 million be appropriated for fully ready-to-proceed projects to offset the shortfall in MTCA revenue in the 2015-17 biennium. This is the expected spending need for these projects in the current 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. This request for \$15 million for CCWP will provide grants to public entities to finance construction of water pollution control facilities and nonpoint pollution control projects in the Fiscal Year 2017 funding cycle. Ecology distributes funds through a statewide competitive rating and ranking process. 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. This work is an essential part of Washington’s strategy to reduce pollution and protect our marine waters, estuaries, lakes, rivers, and groundwater resources, as well as public health. Related to Puget Sound Action Agenda implementation. (SBCA)

## Prevent and Reduce Toxic Threats

3. **\*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. Ecology refers to this as “future expenditures assumed in the enacted budget.” Since the May 2015 revenue forecast, actual and projected revenue for the MTCA accounts dropped by \$60 million, leaving a projected overall MTCA fund balance for the biennium of negative \$63 million. This revenue decline and the direction provided in the enacted budget mean funding is not available to start the majority of these important RA grant projects. Ecology requests SBCA dollars of \$19.6 million be appropriated for fully ready-to-proceed projects to offset the shortfall in MTCA revenue in the 2015-17 biennium. This is the expected spending need for these projects in the current biennium. Providing backfill funding will keep important cleanup work on schedule and in line with the original legislative budget assumptions. (LTCA, SBCA)
4. **\*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 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. Ecology refers to this as “future expenditures assumed in the enacted budget.” Since the May 2015 revenue forecast, actual and projected revenue for the MTCA accounts dropped by \$60 million, leaving a projected overall MTCA fund balance for the biennium of negative \$63 million. This revenue decline and the direction provided in the enacted budget mean funding is not available to start the majority of these important Eastern Washington projects. Ecology requests SBCA dollars of \$6.4 million be appropriated for fully ready-to-proceed projects to offset the shortfall in MTCA revenue in the 2015-17 biennium. This is the expected spending need for these projects in the current biennium. Providing backfill funding will keep important cleanup work on schedule and in line with the original legislative budget assumptions. (STCA, SBCA)
5. **Swift Creek Natural Asbestos Cleanup. \$3,800,000.** Swift Creek is a small creek in the northeastern lowlands of Whatcom County. An ongoing landslide that started in the late 1930s or early 1940s resulted in a large load of naturally occurring asbestos and heavy metal contaminated sediment continuously filling up the creek bed. This request will fund the construction of sediment traps, debris flow deflection levees, and complete the design and permitting for large sedimentation basins. These remediation actions will minimize public and environmental health impacts associated with exposure to asbestos. This request offers an interim solution that will address the historic liability of dredging and managing the sediment by stockpiling it next to the creek, and funds facilities needed to capture sediment over the next 10 to 15 years, depending on the rate of sedimentation. It provides time to develop a long-term strategy to either stabilize the slide or provide ongoing sediment management with help from the Army Corps of Engineers. (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 request will focus funding specifically to 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. Since the May 2015 revenue forecast, actual and projected revenue for the MTCA accounts dropped by \$60 million, leaving a projected overall MTCA fund balance for the biennium of negative \$63 million. This revenue decline and the direction provided in the enacted budget mean funding is not available to start the majority of these important projects. Ecology requests SBCA dollars of \$1.6 million be appropriated for fully ready-to-proceed projects to offset the shortfall in MTCA revenue in the 2015-17 biennium. This is the expected spending need for these projects in the current biennium. Providing backfill funding will keep important cleanup work on schedule and in line with the original legislative budget assumptions. (STCA, SBCA)

# Department of Ecology

ATTACHMENT A

## Addressing the Model Toxics Control Act (MTCA) Revenue Shortfall in the 2015-17 Biennium

9/25/2015

Purpose: MTCA revenue decreased by \$60 million in the September 2015 forecast and with end-of-biennium adjustments, the overall account balance is projected to be down \$62.9 million. After following the provisions of Sect. 7038 in the capital budget bill, Ecology will only be able to fund \$18.4 M in new capital projects this biennium unless a solution is provided to backfill lost MTCA revenue. The following analysis calculates the backfill need of \$36 million to fund the estimated 2015-17 MTCA expenditures from the enacted 2015-17 Capital Budget.

### Funding available for Cleanup Projects in 2015-17:

<i>Dollars in millions</i>	
Projected Fund Balance, Sept. 2015 Forecast	\$ (62.9)
Cleanup Settlement Account Loan	\$ 13.0
Maximizing bonds in non-cleanup projects*	\$ 14.0
New Cleanup Projects expenditure assumptions for 2015-17**	\$ 54.3
<b>Funding available for Cleanup Projects in 2015-17</b>	<b>\$ 18.4</b>

### Apportion \$18.4 M across Cleanup Projects based on total allocation:

<i>Dollars in millions</i>	New 2015-17 Approp.	%	2015-17 Funding Level
Remedial Action Grants**	\$ 62.5	60%	\$ 11.0
Cleanup Toxic Sites Puget Sound	\$ 22.6	32%	\$ 5.8
Eastern WA Clean Sites Initiative	\$ 11.0	7%	\$ 1.3
Leaking Tank Model Remedies	\$ 2.0	2%	\$ 0.4
<b>Total Cleanup Projects</b>	<b>\$ 98.0</b>		<b>\$ 18.4</b>

*Note: Funding levels were marginally adjusted to fund the last project on each list.*

### Bond Backfill Need for Cleanup Projects in 2015-17:

Remedial Action Grants**	\$ 62.5
Less future expenditures assumed in enacted budget	\$ (31.9)
less 2015-17 projected funding available	\$ (11.0)
<b>Bond backfill needed for 2015-17 expenditures</b>	<b>\$ 19.6</b>

Cleanup Toxic Sites Puget Sound	\$ 22.6
Less future expenditures assumed in enacted budget	\$ (8.6)
less 2015-17 projected funding available	\$ (5.8)
<b>Bond backfill needed for 2015-17 expenditures</b>	<b>\$ 8.2</b>

Eastern WA Clean Sites Initiative	\$ 11.0
Future expenditures assumed in enacted budget	\$ (3.3)
less 2015-17 projected funding available	\$ (1.3)
<b>Bond backfill needed for 2015-17 expenditures</b>	<b>\$ 6.4</b>

Leaking Tank Model Remedies	\$ 2.0
Future expenditures assumed in enacted budget	\$ -
less 2015-17 projected funding available	\$ (0.4)
<b>Bond backfill needed for 2015-17 expenditures</b>	<b>\$ 1.6</b>

**Total Bond Backfill Requested: \$ 35.9**

\*Ecology will spend State Building Construction Account dollars before MTCA in two non-cleanup projects – Centennial and Stormwater – that received both MTCA and bond funding in 2015-17. While this frees up \$14 M in MTCA for cleanup projects in 2015-17, it adds \$14 M to the \$121 M already assumed in the enacted budget, for a total of \$135 M of MTCA expenditures delayed to 2017-19.

\*\*Amount excludes \$2.6 M for funding already paid to Grays Harbor PUD