



Washington Department of Ecology

2016 Supplemental Budget



STATE OF WASHINGTON
DEPARTMENT OF ECOLOGY

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October 2, 2015

TO: David Schumacher, Director
Office of Financial Management

FROM: Maia D. Bellon, Director 

SUBJECT: 2016 Supplemental Operating and Capital Budget Requests

As the lead environmental agency in Washington, the Department of Ecology (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.

Attached are Ecology's 2016 Supplemental Operating and Capital Budget requests. These budgets were developed recognizing economic recovery is slow, and demand on state resources remains high (e.g., funding for basic education from the State General Fund). Our budget requests also address the \$60 million drop in projected Hazardous Substance Tax revenue since the last forecast in May 2015.

Operating Budget Request

Ecology's Operating Budget request totals \$6.8 million. This includes an increase in support from dedicated environmental funds for investments in:

- Toxics prevention and reduction.
- Mitigating fish passage barriers through transportation projects.
- Emergency flood response grants.
- Maintaining rain gages for flash flood warnings.
- Labor tracking system replacement.
- Facility relocations and repairs.

Placeholder for 2016

Carbon Emissions Limits. On August 13, 2015, Governor Inslee directed Ecology to use existing authority under Washington's Clean Air Act to develop a regulatory cap on carbon emissions. The cap is intended to achieve a significant reduction in air pollution and is the centerpiece of the Governor's strategy to ensure the state meets the statutory emission limits set by the Legislature in

2008. Ecology plans to have a proposed rule ready for public input by the start of the 2016 legislative session, with adoption of the final rule by summer 2016. Details of the program will be developed over the next several months, and Ecology may require additional funding to implement the rule in Fiscal Year 2017.

Capital Budget Request

Ecology's Capital Budget 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. These capital investments:

- Promote local economic development (e.g., wastewater treatment plants, and cleaning up contaminated sites for redevelopment).
- Create jobs.
- Address local environmental and public health priorities.
- Provide core funding for many local government programs.

Placeholders for 2016

Coordinated Prevention Grants (CPG). The enacted 2015-17 Capital Budget provided \$15 million for the CPG program, about half the amount provided historically for local governments to implement solid and hazardous waste programs. Local governments report that they will eliminate about 180 grant-funded positions and reduce or eliminate some of the solid waste and recycling services they provide. The attached Focus Sheet provides information on the successful accomplishments of this program. Traditionally, CPG has been funded by the Model Toxics Control Act (MTCA) accounts, but there is a \$60 million shortfall in revenue this biennium. Ecology will request fully restored CPG funding in the 2017-19 biennium or sooner if MTCA revenue recovers enough to fund all current appropriations from the enacted budget.

2016 Drought Declaration. Each year, Ecology assesses the need for emergency drought funding to assist local government. While the water year begins November 1 of each year, conditions can change rapidly throughout the winter and spring, which means a decision about drought and its severity often cannot be made until early April. The enacted 2015-17 Capital Budget provided \$16 million for drought response during the 2015 drought year and biennium. To date, roughly \$7 million has been committed for drought relief work in 2015. With the long-range forecast indicating a much drier and warmer fall and winter, Ecology will be implementing additional drought planning and prevention work to better prepare for possibly more severe and continued drought conditions next year. This placeholder is for additional funding, should current resources not be sufficient to address longer-term drought impacts later in the 2015-17 biennium.

Addressing the \$60 Million Shortfall in Hazardous Substance Tax (HST) Revenue

The September 2015 forecast for HST, the primary revenue source for the MTCA accounts, decreased by \$60 million compared to the May 2015 forecast, which is what the enacted 2015-17 budget was based on. HST is both a volume and value based tax with about 90 percent of the revenue coming from petroleum products. With the significant drop in petroleum prices over the last

David Schumacher, Director

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year, forecasted revenue collections are down for MTCA funding over the next three years, beginning to recover in 2019.

MTCA provides core funding for long-standing environmental and public health work carried in both the operating and capital budgets. Many state agencies, local governments, and communities count on these dollars for this work. Ecology is following direction included in the enacted Capital Budget on how to manage and mitigate this revenue decline. Authorized actions include delaying cleanup projects until funding is available.

Without a short-term funding solution, Ecology will have to delay \$36 million in cleanup projects vital to protecting the environment, public health, and economic development. The repercussions of delay are multiplied significantly at the local government level where projects have already started or are ready to proceed, and the state investment is needed to finish. There are also some projects that Ecology has legal requirements to fund.

We are asking for \$36 million in backfill funding from the State Building Construction Account for estimated 2015-17 capital cleanup expenditures so these projects can proceed. Ecology looks forward to engaging with the Governor's Office, the Office of Financial Management, legislative members, and other stakeholders on more long-term solutions in managing the MTCA accounts.

Thank you for considering our requests and keeping our emerging budget issues in mind as the Governor's budget is developed. We will work with our assigned budget analysts as they review this request in detail. Please let us know if you have questions.

MDB/vlp

Attachment

cc: Jim Cahill, Senior Budget Assistant to the Governor, OFM
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Erik Fairchild, Chief Financial Officer, Department of Ecology

Coordinated Prevention Grants: Helping local governments manage solid and hazardous waste

In 1988, the voters of Washington passed Initiative 97, the Model Toxics Control Act, or MTCA. The act authorized a comprehensive program to clean up land and facilities contaminated by toxic and hazardous waste; and also programs to prevent future cleanup sites through the proper management of solid and hazardous waste. MTCA funds these programs through a tax on hazardous substances sold in Washington – primarily petroleum products and pesticides.

MTCA authorized grant programs to support local governments in dealing with hazardous waste sites, and to help them prevent waste and better manage solid and hazardous waste. These waste management, reduction and prevention grants are known as Coordinated Prevention Grants, or CPG. They fund city and county programs to manage hazardous waste from households and small quantity generators like automotive shops. CPG funding also supports county health departments in permitting and inspecting solid waste landfills.

When combined with local matching funds, CPG funding will create **325 jobs** statewide in 2015-17 (down from 505 jobs in 2013-15).

CPG at work in Washington

Managing solid waste

In all but the largest counties in Washington, CPG provides 31 percent of the funding for local recycling and hazardous waste programs. County health departments depend on CPG funding for their solid waste enforcement staff.



These local health departments oversee almost all of Washington's 771 solid waste facilities, including landfills, leachate lagoons, transfer stations, moderate risk waste collection sites, composters and recycling facilities.

CPG CUTS ELIMINATE 180 JOBS, REDUCE SERVICES

In 2015, the Washington Legislature appropriated \$15 million for CPG for the 2015-2017 biennium, a 49% reduction in funding for local governments to implement solid and hazardous waste programs.

As a result of the reduction, cities, counties and health departments report that they will eliminate 180 grant-funded positions. Most of these local governments also plan to reduce or eliminate some of the solid waste and recycling services they provide.

Recent low oil prices have led to lower-than-projected hazardous substance tax collections, resulting in a shortfall in the Model Toxics Control Act (MTCA) accounts that traditionally fund CPG programs.

Ecology will be requesting fully restored CPG funding in the 2017-19 biennium, or sooner if MTCA revenue recovers enough to fund all current appropriations.

Contact information

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In the 2013-15 biennium, local health officials conducted approximately **2,564** facility inspections statewide. Local health officials also responded to **13,000** illegal dumping and illegal waste storage complaints, and provided technical assistance on waste handling and disposal to more than **18,600** businesses.

Safely disposing of household toxics

CPG-funded collection programs help Washington residents safely dispose of more than **8,200 tons** of hazardous materials each biennium through local household hazardous waste programs. These programs provide a safety net that catches common items containing toxic chemicals such as mercury, lead and solvents that would otherwise end up in landfills or the environment.

Advancing recycling

Recycling plays an important role in protecting the environment by keeping toxic chemicals out of landfills or the environment and by reducing the greenhouse gases needed to manufacture products from virgin material.



Manufacturing with recycled materials uses 50- to 90-percent less energy and water than using virgin materials.

CPG plays a pivotal role in financing local programs that promote recycling and reuse. CPG helped local communities collect **361,168 tons** of recyclable materials in 2011-13, and that CPG-supported recycling reduced greenhouse gas emissions by **275,619** metric tons of carbon equivalent.

Closing the loop on organics

Many CPG projects focus on taking organic waste materials – such as wood, yard and food waste – and turning them into useful products. This reduces waste, prevents outdoor burning, and creates compost – a useful product for farmers and homeowners.

In the 2011-13 biennium, CPG funds helped curbside recycling of organic wastes become a common practice in many communities, and turned **114,223 tons** of yard and food waste into compost and other useful soil amendments.



How CPG helps

Local governments rely on CPG funding to augment local programs and improve infrastructure.

As an example, here's how Lincoln County has used CPG:

- Roll-off containers and recycling cage - \$23,000
- Cardboard baler and conveyor - \$118,000
- Recyclables collection truck - \$161,000
- Education and outreach support for recycling, composting and moderate-risk waste - \$129,000



Department of Ecology 2016 Supplemental Budget Request

Rev Oct-02-2015

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

Capital	2016 Capital Supplemental Request		
\$ in thousands - Biennialized FTEs	SBCA	Other	Total
Protect and Restore Puget Sound			
1. Clean up Toxic Sites Puget Sound	8,188	(8,188)	-
Deliver Integrated Water Solutions			
2. Centennial Clean Water Program	15,000		15,000
Prevent and Reduce Toxic Threats			
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)	-
Total Proposed Capital Budget Request	54,656	(35,856)	18,800

Washington Department of Ecology

2016 Supplemental Budget

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Washington Department of Ecology

2016 Supplemental Budget

Operating Budget

Agency Budget Request Decision Package Summary

(Lists only the agency Performance Level budget decision packages, in priority order)

Agency: **461 Department of Ecology**

9/28/2015
12:51:41PM

Budget Period: **2015-17**

Decision Package	
Code	Decision Package Title
PL-S1	Ecology Labor System Replacement
PL-S2	Implement Chemical Action Plans
PL-S3	Regional and Field Office Moves
PL-S4	Mitigating Transportation Projects
PL-S5	Emergency Flood Response Grants

Recommendation Summary

Agency: 461 Department of Ecology

12:50:42PM

9/28/2015

Dollars in Thousands

	Annual Average FTEs	General Fund State	Other Funds	Total Funds
2015-17 Current Biennium Total				
Total Carry Forward Level				
Percent Change from Current Biennium				
Carry Forward plus Workload Changes				
Percent Change from Current Biennium				
M2 MJ HQ Emergency Generator and HVAC COP		271	1,279	1,550
M2 MK Rain Gage Operation and Maintenance	0.5	87		87
Total Maintenance Level	0.5	358	1,279	1,637
Percent Change from Current Biennium				
PL S1 Ecology Labor System Replacement	2.0	2,058	153	2,211
PL S2 Implement Chemical Action Plans	3.7		1,653	1,653
PL S3 Regional and Field Office Moves	0.1	122	574	696
PL S4 Mitigating Transportation Projects	0.8	131		131
PL S5 Emergency Flood Response Grants			450	450
Subtotal - Performance Level Changes	6.6	2,311	2,830	5,141
2015-17 Total Proposed Budget	7.0	2,669	4,109	6,778
Percent Change from Current Biennium				

Recommendation Summary

Agency: 461

12:50:42PM

9/28/2015

Dollars in Thousands

Annual Average FTEs	General Fund State	Other Funds	Total Funds
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M2 MJ HQ Emergency Generator and HVAC COP

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.

M2 MK Rain Gage Operation and Maintenance

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)

PL S1 Ecology Labor System Replacement

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.

PL S2 Implement Chemical Action Plans

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 3 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)

PL S3 Regional and Field Office Moves

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.

PL S4 Mitigating Transportation Projects

Recommendation Summary

Agency: 461

12:50:42PM

9/28/2015

Dollars in Thousands

Annual Average FTEs	General Fund State	Other Funds	Total Funds
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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)

PL S5 Emergency Flood Response Grants

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 FCAA to address similar priority emergency flood response and prevention actions during the 2015-17 biennium. (Flood Control Assistance Account)

Agency: 461 Department of Ecology
Decision Package Code/Title: MJ HQ Emergency Generator and HVAC COP

Budget Period: 2015-17
Budget Level: M2 - Inflation and Other Rate Changes

Recommendation Summary Text:

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.

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State		271,352	271,352
044-1 Waste Reduct/Recycle/Litter Control-State		48,068	48,068
173-1 State Toxics Control Account-State		672,953	672,953
176-1 Water Quality Permit Account-State		232,588	232,588
19G-1 Environ Legacy Stewardship Account-State		153,508	153,508
207-1 Hazardous Waste Assistance Account-State		41,866	41,866
20R-1 Radioactive Mixed Waste Acct-State		86,833	86,833
217-1 Oil Spill Prevention Account-State		43,416	43,416
Total Cost		1,550,584	1,550,584

Revenue

<u>Fund</u>	<u>Source</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
20R	Radioactive MW Acct 0294 Hazardous Waste Fees		86,833	86,833
Total Revenue			86,833	86,833

Package Description:

This request is for appropriation for Certificate of Participation (COP) payments to finance upgrades to the HVAC system and replace the emergency generator at Ecology's headquarters building in Lacey (Lacey HQ). Ecology estimates the total cost for these improvements is \$14.6 million. This request will cover COP payments expected to begin in Fiscal Year 2017 through Fiscal Year 2026.

HVAC SYSTEM REPLACEMENT AND UPGRADES - (\$1,375,518)

The HVAC system at the Lacey HQ facility is undergoing a major overhaul. The current system is more than 20 years old, and six

Agency: 461 Department of Ecology
Decision Package Code/Title: MJ HQ Emergency Generator and HVAC COP

years beyond its life expectancy. It has become more and more difficult to obtain parts for this system, and maintenance costs are high. A 2012 study by FSI Consulting Engineers recommended replacing this HVAC equipment in the Lacey HQ facility data room as soon as possible and replacing the remaining components building-wide in three to five years.

In addition to being past its life expectancy and costly, the current HVAC system is inefficient and bad for the environment. The refrigerant needed to run this system is no longer being manufactured because of concerns related to its environmental impacts, making it costly and difficult to obtain. The HVAC infrastructure leaks refrigerant to the environment. During 2011 and 2012, the system used 65 pounds of refrigerant on average (per year). During 2013, the system used 171 pounds of refrigerant. The volume of refrigerant needed to run the HVAC system is unusually high due to leakage and inefficiencies, and data shows this problem was getting worse.

As of September 2015, the HVAC replacement project is well underway. All of the older air conditioning units have been replaced, and three of the newer units are still waiting to be brought online. After these new units are fully operational, the system will be tested, balanced, and adjusted before control programming can be completed. Ecology expects to complete any remaining modifications and finish the project by the middle of Fiscal Year 2016.

EMERGENCY GENERATOR REPLACEMENT - (\$175,066)

The current emergency power system (including the generator and its connections to the building's electrical infrastructure) at Ecology's Lacey HQ facility is in the process of being replaced. The system is more than 20 years old and cannot be relied on to provide emergency power to run the facility's life safety systems (basic lights and alarms). As noted in the attached memo from the City of Lacey, the emergency power system is also not up to code since electrical codes have changed since the system was installed.

An unreliable emergency power system is a big risk to Ecology's ability to respond effectively in an emergency or disaster, and it does not appropriately protect our data network and business systems (i.e. internet connections, servers, e-mail, phones, and mission-critical program databases). If a power outage disabled the life safety and business systems, there could be serious safety concerns (for instance, trying to safely evacuate the Lacey HQ building in total darkness) and could prevent Ecology from effectively recovering business operations following a disaster or emergency. Ecology is addressing this critical problem by bringing the emergency power system back up to code to protect life safety systems and Ecology's data network and business systems during a power outage.

As of September 2015, the emergency generator replacement project is well underway. New generator units have been installed and are functioning. The remaining work includes paving, landscaping, and completing electrical connections to lighting and other devices required for life safety. Ecology expects to fully complete the project by the middle of Fiscal Year 2016.

In the 2014 Supplemental Budget, Ecology requested \$16 million in capital funding for these projects using bond dollars from the State Building Construction Account. The projects were not funded, and it was recommended that Ecology pursue a COP to finance the work. COP financing will diminish dedicated funding for core environmental program work, however Ecology could not afford to delay these projects in hopes of securing future capital bond funding.

Ecology has consulted with the Office of the State Treasurer and has approval to proceed with COP financing to replace the HVAC and emergency generator systems. This request will provide operating appropriation for the multiple funds that will be used to pay the COP payments over the next several biennia. The amount of appropriation needed to fund this COP is less than originally anticipated and the request has been sized accordingly based on final cost estimates.

Agency Contact:
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Decision Package Code/Title: MJ HQ Emergency Generator and HVAC COP

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The outcome of this request will be to improve the safety and efficiency of the Lacey HQ facility and reduce maintenance costs for the HVAC and emergency power systems. Completing these critical upgrades will assure the facility is efficient, safe, and well-maintained for staff, building tenants, and the public, and will protect mission-critical business activities during a disaster or emergency.

Performance Measure Detail

Activity: A002 Administration

Measures	Incremental Changes	
	FY 2016	FY 2017
001655 Refer to Narrative Justification	0.00	0.00

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This request is essential to implementing priorities in Ecology's strategic plan. The Lacey HQ facility is the operating base for our environmental program and administrative operations staff who work on Ecology's mission to protect, preserve, and enhance Washington's environment for current and future generations.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This request provides essential support to the Governor's Results Washington Goal 3, Sustainable Energy and a Clean Environment by :
- Working to improve the efficiency of HVAC and emergency power systems at the Lacey HQ facility.
- Reducing the use of contaminants in the HVAC system.

This request also supports the Governor's Results Washington Goal 5, Effective, Efficient, and Accountable Government by providing an efficiently-run operating base that supports Ecology's programs as they work to reduce negative impacts on the environment.

What are the other important connections or impacts related to this proposal?

Replacing the emergency power system at the Lacey HQ facility supports Ecology's Continuity of Operations Plan (COOP) by ensuring critical business systems and life safety systems are available following an emergency or disaster. Replacing the HVAC also helps Ecology comply with Executive Order 12-06 and Chapter 19.27 RCW, which require state agencies to reduce energy use.

What alternatives were explored by the agency, and why was this alternative chosen?

Ecology submitted capital project requests in the 2014 Supplemental Budget for State Building Construction Account funding. They were not funded because the Legislature did not pass a supplemental capital budget. Ecology decided to pursue COP financing for HVAC and emergency power system upgrades, because these improvements were needed immediately to keep the Lacey HQ facility safe, efficient, and up to code.

What are the consequences of adopting or not adopting this package?

If Ecology doesn't receive an appropriation for this cost increase, core environmental work would have to be cut to absorb these costs,

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negatively impacting Ecology's programs, public health, and the environment.

What is the relationship, if any, to the state's capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None

Expenditure and revenue calculations and assumptions

In Fiscal Year 2017, Ecology will require \$1,550,584 for the initial COP payments, decreasing to \$1,454,061 in Fiscal Year 2018 and ongoing. COP payments will be paid from multiple funding sources under object P, debt service. The financing for these projects is assumed to be \$14,637,000 over ten years. Estimates for COP payments are from the Treasurer's Office based on the project budget and current interest rates. Project costs are based on project billings, engineering reports, and known maintenance costs. The final COP payment schedule will be prepared by the Treasurer's Office, based on actual project expenditures and current interest rates.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

All costs are ongoing. If needed, Ecology will request maintenance level adjustments in future biennia to align with projected COP payments.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
P Debt Service		1,550,584	1,550,584

Decision Package Code/Title: M2 MJ HQ Emergency Generator and HVAC COP

6 Year Fiscal Detail

Expenditures by Account		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
001-1	General Fund - State	-	271,352	254,461	254,461	254,461	254,461
044-1	Waste Red., Recycling & Litter - State	-	48,068	45,076	45,076	45,076	45,076
173-1	State Toxics Control - State	-	672,953	631,062	631,062	631,062	631,062
176-1	Water Quality Permit - State	-	232,588	218,109	218,109	218,109	218,109
19G-1	Enviro Legacy Stewardship - State	-	153,508	143,952	143,952	143,952	143,952
207-1	Hazardous Waste Assistance - State	-	41,866	39,260	39,260	39,260	39,260
20R-1	Radioactive Mixed Waste - State	-	86,833	81,427	81,427	81,427	81,427
217-1	Oil Spill Prevention - State	-	43,416	40,714	40,714	40,714	40,714
	Total Expenditures	0	1,550,584	1,454,061	1,454,061	1,454,061	1,454,061

Expenditures by Object		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
P	Debt Service	-	1,550,584	1,454,061	1,454,061	1,454,061	1,454,061
	Total Objects	0	1,550,584	1,454,061	1,454,061	1,454,061	1,454,061

Staffing			<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Job Class	Salary							
Total FTEs			0.0	0.0	0.0	0.0	0.0	0.0

Revenue			<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Account	Source							
20R - Radioactive Mixed Waste	0294		-	86,833	81,427	81,427	81,427	81,427
Total Revenue			0	86,833	81,427	81,427	81,427	81,427



Shaping
our community
together

CITY
OF **LACEY**

420 COLLEGE STREET SE
LACEY, WA 98503-1238

CITY COUNCIL

VIRGIL CLARKSON
Mayor
JASON HEARN
Deputy Mayor
JEFF GADMAN
LENNY GREENSTEIN
RON LAWSON
CYNTHIA PRATT
ANDY RYDER

CITY MANAGER
SCOTT H. SPENCE

9/10/13

**SUBJECT: DEPT. OF ECOLOGY LIFE SAFETY ELECTRICAL UPGRADES @
300 DESMOND DR. SE – LACEY, WA**

Dear Mr. Fry:

The purpose of this letter is to provide you with the field electrical inspection information you requested regarding the above noted commercial electrical upgrade project.

Per NEC 700.5:

- Emergency systems shall have means to isolate emergency loads from all other loads.
- At this time the City of Lacey will restrict modifications to the emergency generator system and the associated electrical panels and equipment.
- Future electrical changes to the Emergency generator system will require separation of the emergency loads and the optional stand-by loads.

National Electrical Code (NEC) Article 700 – Emergency Systems:

Sec. 700.5 – Capacity:

(A) Capacity and Rating. An emergency system shall have adequate capacity and rating for all loads to be operated simultaneously. The emergency system equipment shall be suitable for the maximum available current at its terminals.

(B) Selective Load Pickup, Load Shedding, and Peak Load Shaving. The alternative power source shall be permitted to supply emergency, legally required standby, and optional standby system loads where the source has adequate capacity or where automatic selective load pickup and load shedding is provided as needed to ensure adequate power to (1) the emergency circuits, (2) the legally required standby circuits, and (3) the optional standby circuits, in that order of priority. The alternate power source shall be permitted to be used for peak load shaving, provided these conditions are met.

Peak load shaving operation shall be permitted for satisfying the test requirement of 700.4(B), provided all other conditions of 700.4 are met.

A portable of temporary alternate source shall be available whenever the emergency generator is out of service for major maintenance or repair.

The City of Lacey Building Department respectfully requests that the electrical engineer of record submit revised plans, associated documents and specifications that show clear compliance with the above stated electrical code requirements. We also respectfully request that no further work is performed in these noted areas of concern until the requested information has been submitted, reviewed and approved by the City of Lacey. Please do not hesitate to call me at (360)491-5642 if you have any questions regarding this matter.

Sincerely,

Wade R. Duffy
Building Official/Fire Marshal



TDD Relay
1-800-833-6388

City Council
(360) 491-3214

City Manager
(360) 491-3214

City Attorney
(360) 491-1802

Community Development
(360) 491-3214

Finance
(360) 491-3212

Parks & Recreation
(360) 491-0857

Police
(360) 459-4333

Public Works
(360) 491-5600

Fax #
(360) 438-2669



Agency: 461 Department of Ecology
Decision Package Code/Title: MK Rain Gage Operation and Maintenance

Budget Period: 2015-17
Budget Level: M2 - Inflation and Other Rate Changes

Recommendation Summary Text:

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)

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State	17,343	69,373	86,716
Total Cost	17,343	69,373	86,716
 Staffing	 <u>FY 2016</u>	 <u>FY 2017</u>	 <u>Annual Average</u>
FTEs	.2	.7	.5

Package Description:

Beginning July 14, 2014, four lightning-caused fires merged, scorching 400 square miles (246,000 acres) in the Methow Valley and burning approximately 300 homes in and around the towns of Pateros and Malott, and other rural areas. These fires destroyed vegetation and greatly increased the risk of flash flooding during periods of heavy rainfall.

The Governor's Office contacted Ecology and relayed a request from the Okanogan County Conservation District. The request was for Ecology to develop and install an early warning rain gaging network to protect lives and personal property in the area impacted by the Carlton Complex Fire.

Ecology deployed 17 rain gages in burn areas to help the National Weather Service provide early warnings of flash flooding due to rain events. The National Weather Service uses these rain gages as part of the National Oceanic and Atmospheric Administration (NOAA) Weather Radio flash flood warning system that automatically issues alerts to key officials and local media when conditions develop that could possibly result in flash floods.

Funds from an environmental penalty were used during the 2013-15 biennium to install and maintain the rain gage network, but this funding is not available in the 2015-17 biennium. Maintaining the gages requires staff to make periodic site visits for operational inspections, testing, and calibration. During these inspections, gages regularly require repairs and replacement of batteries, transmitters, antennas, and other parts. Additionally, staff maintain the transmission of data to the federal systems that monitor for the risk of flash floods, and Ecology's website that provides gaging data to the public. Ecology will struggle to keep these gages online and operational without additional resources to fund their upkeep.

Agency: 461 Department of Ecology
Decision Package Code/Title: MK Rain Gage Operation and Maintenance

Note: The 2015 fire season is the worst on record for Washington state, and additional rain gages will likely be requested to provide early flood warning in other parts of the state. The National Oceanic and Atmospheric Administration (NOAA) and the Emergency Management Division will be part of an erosion risk assessment this fall to help determine the need for placement of new gages in response to the more recent fires. If needed, Ecology will submit an updated budget request to include the costs for additional rain gages.

Agency Contact:
 Tom Mackie
 (509) 454-4244
 tmac461@ecy.wa.gov

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The outcome of this request will be to maintain and operate a network of rain gages that will help alert the state to the possibility of flash flooding protecting lives and property in the area of the Carlton Complex Fire.

Performance Measure Detail

Activity: A027 Monitor the Quality of State Waters and Measure Stream Flows Statewide

		Incremental Changes	
		<u>FY 2016</u>	<u>FY 2017</u>
Measures			
001655	Refer to Narrative Justification	0.00	0.00

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

The request is important to implementing the priority in Ecology's strategic plan to Reduce and Prepare for Climate Impacts. Ecology expects climate change to bring an increase in wildfires and the potential for landslides associated with excessive runoff from wildfire ravaged lands. This request will provide and support a network of early warning systems to provide the rural public with flash flood alerts to help protect life and property. This ongoing project combines the needs of local communities and the problems associated with adapting to climate change. These gages expand on inter-agency cooperation to promote environmental safety for rural communities and landowners that lack this essential infrastructure.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This request provides essential support to the Governor's Results Washington Goal 4: Healthy and Safe Communities by providing an early warning system to alert key officials and local media to the possibility of flash flooding due to rain events. Early alerts can be invaluable in protecting lives and personal property in the area impacted by the Carlton Complex Fire.

Agency: 461 Department of Ecology
Decision Package Code/Title: MK Rain Gage Operation and Maintenance

What are the other important connections or impacts related to this proposal?

These gages were installed in response to a request made by the Okanogan County Conservation District to the Governor's Office . The Conservation District requested an early warning rain gaging network to help protect personal property and the lives of citizens and responders fighting wildfires who could be endangered by flash floods in the area of the Carlton Complex Fire . Since vegetation has not yet grown back in this area, the risk of flash flooding remains high.

While rainfall has been scarce this year, the National Weather service already used the information from the gages to issue a flash flood warning in May 2015 (article in the Omak-Okanogan County Chronicle at <http://www.omakchronicle.com/news/2015/may/28/flash-flood-warning-issued-carlton-complex-area/>).

What alternatives were explored by the agency, and why was this alternative chosen?

Ecology does not have funding available to support ongoing operation and maintenance of this rain gage network . We were able to adapt existing equipment and use funds from an environmental penalty for initial installation and maintenance of the rain gage network during the 2013-15 biennium, but this funding and equipment stores are not available in the 2015-17 biennium . This work does not prioritize above existing core gaging activities funded in Ecology's budget, so we will need additional funding if we are to continue this activity.

What are the consequences of adopting or not adopting this package?

If this request is not funded, the rain gage network will not be maintained and the quality and reliability of the resulting data will decay over time. Gages may become damaged, and batteries will eventually run out, taking gages completely offline . As gages cease to function properly, the value of the early warning system will decline, and it will lose its ability to help protect property and citizens in the area.

What is the relationship, if any, to the state's capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None

Expenditure and revenue calculations and assumptions

Beginning in April 2016 and ongoing, Ecology requires 0.4 FTE of a journey-level gaging specialist (Hydrogeologist 2) to operate, maintain, and repair the 17 gages in the rain gaging network and monitor and verify the quality of data produced by the gages . We will also need 0.2 FTE of an Information Technology Specialist 4 to manage the data produced by the gages and ensure the data are properly transmitted to federal systems used by the National Weather Service to monitor the possibility of flash floods .

Explanation of costs by object:

Salary estimates are current actual rates at step H, the agency average for new hires . Benefits are the agency average of 35.5 percent of salaries. Goods and services are the agency average of \$4,554 per direct program FTE. Travel is the agency average of \$1,515 per direct program FTE. Equipment is the agency average of \$823 per direct program FTE. Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 26.10 percent of direct program salaries and benefits and is shown in object T. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT Specialist 2.

Agency: 461 Department of Ecology
Decision Package Code/Title: MK Rain Gage Operation and Maintenance

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

All costs will be ongoing until the National Weather Service determines conditions have changed sufficiently (i.e., enough vegetation has grown back) and that the area is no longer at risk of flash flooding.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages	9,545	38,180	47,725
B Employee Benefits	3,389	13,554	16,943
E Goods\Other Services	683	2,733	3,416
G Travel	228	909	1,137
J Capital Outlays	123	494	617
T Intra-Agency Reimbursements	3,375	13,503	16,878
Total Objects	17,343	69,373	86,716

Decision Package Code/Title: M2 MK Rain Gage Operation and Maintenance

6 Year Fiscal Detail

Expenditures by Account		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
001-1	General Fund - State	17,343	69,373	69,373	69,373	69,373	69,373
	Total Expenditures	17,343	69,373	69,373	69,373	69,373	69,373

Expenditures by Object		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
A	Salaries and Wages	9,545	38,180	38,180	38,180	38,180	38,180
B	Employee Benefits	3,389	13,554	13,554	13,554	13,554	13,554
E	Goods and Services	683	2,733	2,733	2,733	2,733	2,733
G	Travel	228	909	909	909	909	909
J	Capital Outlays	123	494	494	494	494	494
T	Intra-Agency Reimbursements	3,375	13,503	13,503	13,503	13,503	13,503
	Total Objects	17,343	69,373	69,373	69,373	69,373	69,373

Staffing

Job Class	Salary	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
HYDROGEOLOGIST 2	61,508	0.10	0.40	0.40	0.40	0.40	0.40
IT SPECIALIST 4	67,884	0.05	0.20	0.20	0.20	0.20	0.20
FISCAL ANALYST 2		0.01	0.06	0.06	0.06	0.06	0.06
IT SPECIALIST 2		0.01	0.03	0.03	0.03	0.03	0.03
	Total FTEs	0.2	0.7	0.7	0.7	0.7	0.7

Revenue

<u>Account</u>	<u>Source</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Total Revenue		0	0	0	0	0	0

Agency: 461 Department of Ecology
Decision Package Code/Title: S1 Ecology Labor System Replacement

Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

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 .

Fiscal Detail

Operating Expenditures		<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1	General Fund - Basic Account-State		2,058,253	2,058,253
044-1	Waste Reduct/Recycle/Litter Control-State		5,747	5,747
173-1	State Toxics Control Account-State		80,466	80,466
176-1	Water Quality Permit Account-State		27,810	27,810
19G-1	Environ Legacy Stewardship Account-State		18,355	18,355
207-1	Hazardous Waste Assistance Account-State		5,006	5,006
20R-1	Radioactive Mixed Waste Acct-State		10,384	10,384
217-1	Oil Spill Prevention Account-State		5,192	5,192
Total Cost			2,211,213	2,211,213
Staffing		<u>FY 2016</u>	<u>FY 2017</u>	<u>Annual Average</u>
	FTEs	.0	4.0	2.0
Revenue				
<u>Fund</u>	<u>Source</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
20R	Radioactive MW Acct 0294 Hazardous Waste Fees		10,384	10,384
Total Revenue			10,384	10,384

Package Description:

During the 2011-13 and 2013-15 biennia, Ecology participated in preparations for a new state enterprise time and attendance system, including selecting the vendor WorkForce Software. Under this contract, the state procured user licenses for the WorkForce EmpCenter Time and Attendance Software; received documentation for business requirements, system functional design, and technical design; and also received an almost fully configured system. These products meet most of Ecology's business requirements, and early testing sessions validated the EmpCenter product and reporting tools have been designed to meet Ecology's rigorous reporting needs . The state spent significant time and effort developing system interfaces, system testing, and training material development .

Agency: 461 Department of Ecology
Decision Package Code/Title: S1 Ecology Labor System Replacement

Ecology has full access to these assets and will use them to complete and implement this solution for Ecology if this request is funded. Section 130 (2) of the 2015-17 Operating Budget bill (Engrossed Substitute Senate Bill 6052) states, "...The time, leave, and attendance project shall be discontinued, but the office and other state agencies may utilize acquired project assets for other purposes to the extent practicable." Maximizing the use of this investment significantly reduces Ecology's implementation costs as opposed to starting a whole new project.

Ecology is requesting funding to use the existing enterprise assets to complete the implementation of the EmpCenter solution for our employees. This request includes funding to cover remaining configuration, testing, training, deployment, hosting services, and support costs. It essentially begins where the enterprise project ended.

Implementing the EmpCenter solution will transform time and attendance activities for Ecology employees and will address these key issues:

- Ecology's Time Management System (TMS) was implemented in 1988. While this solution meets many of Ecology's cost allocation requirements, it does not provide an effective employee interface for time and leave management. The current system also lacks the functionality to apply basic business rules, such as calculating overtime hours and preventing employees from requesting leave that they are not entitled to take. These processes currently require timekeepers, multiple data entry points, ongoing reconciliations, rework, and error correction.
- We lack access to complete and accurate timekeeping data that is essential for effectively managing staff resources. This impedes timely, data-driven decision making, and impacts daily operational activities.
- Current timekeeping and payroll processes are manual and labor intensive - with limited edits at the point of data entry - increasing the risk of errors. Risks include overtime earned but not paid, pay for hours not worked, and time worked miscalculated or miscoded.
- Current timekeeping system is labor intensive, requiring extensive reconciliations between systems (TMS, Human Resource Management System (HRMS), Ecology's Leave Form System, and the Agency Financial Reporting System (AFRS)).
- Current timekeeping and payroll processes are manual and increase the complexity of complying with the Federal Fair Labor Standards Act (FLSA).

The following accomplishments will be realized with labor system replacement:

- Compliance with findings and recommendations by the U.S. Department of Labor and the State Auditor's Office that support implementing a new time and attendance solution.
- Integration of leave management with time and attendance.
- Compliance with Family and Medical Leave Act (FMLA) leave accruals and liquidations.
- Provide a single source of accurate, real-time leave balance information for employees and managers.
- Greater pay accuracy.
- Streamlined compliance processes (WAC, Collective Bargaining Agreement, FLSA, etc.).
- Significantly reduce use of paper and records storage.
- Eliminate reliance on legacy systems - e.g., T3 Water Quality is an Oracle based reporting system with no internal support.

Agency: 461 Department of Ecology
Decision Package Code/Title: S1 Ecology Labor System Replacement

Implementing a labor system based on EmpCenter will begin immediately when the supplemental budget is approved, and be complete within 12 months from kick off. The project schedule was developed based on the deliverables - completion of testing and error remediation, training development and delivery to all staff, cutover from current systems to the new product, go-live transition, and post implementation support. EmpCenter time and leave modules will be deployed to a pilot group of Ecology staff approximately nine months from project restart, and to remaining staff two months after the pilot group.

The Absence Compliance Tracker (ACT) module of the EmpCenter product is fully configured for Ecology. We expect our Human Resources office will be using the ACT module to track Family Medical Leave and military leave within six months of restarting the project.

The Ecology project team has already started remediating internal Ecology systems to supply and receive data from the EmpCenter product. Systems such as Ecology's Billing and Revenue Tracking System and the Toxics Site Cleanup system use work hours to generate invoices. These systems manage millions of dollars in agency receivables, and will be integrated into and receive data directly from the new labor tracking system.

This solution will reduce risk to Ecology by improving compliance with statutory, regulatory, and collective bargaining agreement rules. It will also improve the accuracy and efficiency in labor time reporting.

Agency Contact:

Lisa Darnell

360-407-7052

Lisa.Darnell@ecy.wa.gov

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The outcome of this request will be increased efficiency by:

- Reducing errors (inaccurate or late time entry, labor cost allocations, overuse of leave balances).

Implementing an automated workflow that ensures information from a leave request, to approval, to pay, is timely and consistent. For example, when an employee submits a leave request the system will notify the supervisor. When the supervisor approves the leave request, the system will automatically populate the employee's time sheet.

- Interfacing time sheet data to HRMS to payroll processing.

- Automating development of agency approved work schedules, assigning employees to work schedules, and tracking of work schedule adjustments.

- Automating the process for managers to establish a delegate to approve timesheets and leave requests during a scheduled absence.

- Providing employee self-service (check work schedules, leave balances, leave approvals, etc.)

- Giving employees the ability to report time and leave data from remote locations throughout the state. The mobile configuration also serves as the platform for the ADA accessible system.

Agency: 461 Department of Ecology
Decision Package Code/Title: S1 Ecology Labor System Replacement

- Improving timely and accurate submission of premium pay, e.g., overtime, standby, assignment, and responder pay.
- Improving compliance with collective bargaining agreements (CBA), statutes, and rules. Right now, compliance depends on manual processes that are inconsistent and inefficient.
- Giving managers a more robust time and attendance activity reporting tool.
- Eliminating use of three systems to track employee leave - Ecology's Leave Form System, TMS, and HRMS.
- Eliminating need to print timesheets, route them for approval, and store them.

Performance Measure Detail

Activity: A002 Administration

	Incremental Changes
	<u>FY 2016</u> <u>FY 2017</u>

Measures

001655	Refer to Narrative Justification	0.00	0.00
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Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This request is essential to implement all the priorities in Ecology's strategic plan (Reduce and prepare for climate impacts, Prevent and reduce toxic threats, Deliver integrated water solutions, and Protect and restore Puget Sound), because the labor system replacement will allow Ecology to accurately track and report staff time spent on all activities related to our strategic priorities.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This request provides essential support to the Governor's Results Washington Goal 5: Efficient, Effective and Accountable Government through effective resource stewardship. Implementation will result in:

- Efficient and effective management of the Ecology workforce.
- Increase employee satisfaction through electronic access to enter and monitor employee time and attendance data.
- Improve the quality and accuracy of data for decision makers at Ecology and at enterprise levels.

What are the other important connections or impacts related to this proposal?

The stakeholders impacted are the Office of Financial Management (OFM), Department of Enterprise Services (DES), and Washington Technology Services (WaTech). All three agencies recognize and agree that Ecology has a critical business need for labor time tracking that should be fulfilled.

In November 2011, Ecology's Director asked all staff to submit suggestions for work processes that could be improved. The number one employee recommendation was to improve our systems and processes for reporting time worked and leave taken. Most staff commented on the redundant, manual processes that take time away from their environmental and public health work assignments.

Findings and recommendations by the U.S. Department of Labor and the State Auditor's Office support implementing a new time and attendance solution.

Agency: 461 Department of Ecology
Decision Package Code/Title: S1 Ecology Labor System Replacement

The 2015-17 Operating Budget states, in part, "...The time, leave, and attendance project shall be discontinued, but the office and other state agencies may utilize acquired project assets for other purposes to the extent practicable." Ecology has worked with and has support from OFM, WA Tech, and the Washington State Department of Transportation (WSDOT) to pursue this request and implement the new system.

If funding is provided to both agencies for labor tracking systems, Ecology and WSDOT will collaborate with WorkForce Software to complete the final elements of system configuration. Once Ecology and WSDOT implement this solution, other agencies, on a case-by-case basis, may be able to leverage the initial investment and Ecology's work to implement their own similar systems.

What alternatives were explored by the agency, and why was this alternative chosen?

Using data from the original enterprise procurement, Ecology determined that developing a technology solution independently and without using the contract, investment, and work done on the proposed enterprise solution would cost the agency over \$3.2 million more than leveraging the investments already made. Ecology's participation in the selection of the WorkForce Software as the vendor for the enterprise project included evaluation of all vendors in the market place. WorkForce Software scored highest in functionality and price.

We also considered continuing business as usual with our current TMS. We have optimized performance and efficiency under the current system, and the risk areas still exist. WATech has expressed the need to retire the environment that supports the TMS. It is not acceptable for Ecology to continue using legacy systems with no support operating in such a high risk environment, and it is not feasible for Ecology to maintain this antiquated system independently.

What are the consequences of adopting or not adopting this package?

Ecology could be found non-compliant with the mandatory federal and state requirements for tracking Family and Medical Leave Act (FMLA) leave accruals and liquidations. This is an area of substantial risk.

Ecology could be found non-complaint with the terms of our CBA. Limitations in the current timekeeping systems make it difficult to implement and track provisions of the CBA. These limitations increase the risk of grievances being filed and challenges to past practices during union labor negotiations.

Because current Ecology systems are manual and labor intensive with limited edits at the point of time entry, there is a substantial risk of errors being made in the timekeeping processes. This includes the risk of miscalculating pay, overtime being earned but not paid, and overuse of leave, among other issues. These risks would be ongoing without funding system replacement.

Ecology has invested almost four years in developing requirements, RFP solicitation and evaluation, and final selection of WorkForce software as part of the statewide time, leave, and attendance project. Through this work, Ecology acquired an incredible volume of work product and knowledge of the software solution. If we do not finalize the implementation of the EmpCenter product with this project, we would have to start over on another project, and/or with another vendor. That would cause a duplication of effort, increased development costs, and delayed implementation of a much needed solution.

What is the relationship, if any, to the state's capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

No changes to statutes, rules, or contracts are needed.

Agency: 461 Department of Ecology
Decision Package Code/Title: S1 Ecology Labor System Replacement

Expenditure and revenue calculations and assumptions

Ecology requires a one-time General Fund State investment in Fiscal Year 2017 of \$2,026,000 for:

- Contract for completion of software design for implementation (\$829,000 object E)
- Project management services contract (\$322,000 object E)
- Change management/training contract (\$299,000 object E)
- External Quality Assurance Services contract (\$48,000 object C)
- WATech fees (\$304,000 object E)
- One-time salary, benefits, and associated staff costs (\$224,000):

--1.0 FTE Fiscal Analyst (FA) 4 for eight months to help transition timekeeping and payroll processes to the new system . This position will be heavily involved in testing the system, developing the training materials, and train those who will train agency staff in the new system.

--1.0 FTE FA1 for eight months will assist the FA4 in transitioning and implementing the new labor tracking system at Ecology .

--1.0 FTE Office Assistant 3 for eight months to assist in the logistics of training the 2,000+ staff at Ecology that will use the new system. Activities include scheduling facilities and registering staff, preparing training materials, setting up video conferencing, and overall administrative support to the transition team.

--0.5 FTE Information Technology Specialist (ITS) 5 for 12 months to act as the liaison between Ecology and contractors to ensure business requirements are thoroughly addressed as the agency implements the labor tracking system .

Ongoing annual maintenance costs for the system of \$185,000 will be allocated across Ecology's largest accounts for:

- Contractual maintenance costs (\$25,000 object E)
- Hosting services contract (\$38,000 object E)
- 1.0 FTE ITS4 Business application lead to manage the vendor build/release process by evaluating and testing the impacts to Ecology's configuration, updating product documentation and training materials related to the changes, and communicating with end users. This position will also research and fix system issues; support the payroll team during each payroll processing; create, assign and update work schedules in the system; coordinate with WATech, DES, and others on updates and interfaces between systems; and other technical support as needed.

Explanation of costs by object:

Salary estimates are current actual rates at step H, the agency average for new hires . Benefits are the agency average of 35.5 percent of salaries. Goods and services are the agency average of \$4,554 per direct program FTE. Travel is the agency average of \$1,515 per direct program FTE. Equipment is the agency average of \$823 per direct program FTE. Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 26.10 percent of direct program salaries and benefits and is shown in object T. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT Specialist 2.

Agency: 461 Department of Ecology
Decision Package Code/Title: S1 Ecology Labor System Replacement

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

One-time implementation costs are \$2,026,000. Beginning in Fiscal Year 2017, ongoing maintenance costs of \$185,000 a year include contract payments for maintenance and hosting and 1.0 FTE ITS 4.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages		188,747	188,747
B Employee Benefits		67,006	67,006
C Professional Svc Contracts		48,000	48,000
E Goods\Other Services		1,832,504	1,832,504
G Travel		5,318	5,318
J Capital Outlays		2,887	2,887
T Intra-Agency Reimbursements		66,751	66,751
Total Objects		2,211,213	2,211,213

Decision Package Code/Title: PL S1 Ecology Labor System Replacement

6 Year Fiscal Detail

Expenditures by Account		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
001-1	General Fund - State	-	2,058,253	32,445	32,445	32,445	32,445
044-1	Waste Red., Recycling & Litter - State	-	5,747	5,747	5,747	5,747	5,747
173-1	State Toxics Control - State	-	80,466	80,466	80,466	80,466	80,466
176-1	Water Quality Permit - State	-	27,810	27,810	27,810	27,810	27,810
19G-1	Enviro Legacy Stewardship - State	-	18,355	18,355	18,355	18,355	18,355
207-1	Hazardous Waste Assistance - State	-	5,006	5,006	5,006	5,006	5,006
20R-1	Radioactive Mixed Waste - State	-	10,384	10,384	10,384	10,384	10,384
217-1	Oil Spill Prevention - State	-	5,192	5,192	5,192	5,192	5,192
Total Expenditures		0	2,211,213	185,405	185,405	185,405	185,405

Expenditures by Object		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
A	Salaries and Wages	-	188,747	67,886	67,886	67,886	67,886
B	Employee Benefits	-	67,006	24,100	24,100	24,100	24,100
C	Personal Service Contract	-	48,000	-	-	-	-
E	Goods and Services	-	1,832,504	67,074	67,074	67,074	67,074
G	Travel	-	5,318	1,515	1,515	1,515	1,515
J	Capital Outlays	-	2,887	822	822	822	822
T	Intra-Agency Reimbursements	-	66,751	24,008	24,008	24,008	24,008
Total Objects		0	2,211,213	185,405	185,405	185,405	185,405

Staffing

Job Class	Salary	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
IT SPECIALIST 4	67,884	-	1.00	1.00	1.00	1.00	1.00
FISCAL ANALYST 4	53,017	-	0.67	-	-	-	-
FISCAL ANALYST 1	39,445	-	0.67	-	-	-	-
OFFICE ASSISTANT 3	31,981	-	0.67	-	-	-	-
IT SPECIALIST 5	74,970	-	0.50	-	-	-	-
FISCAL ANALYST 2		-	0.35	0.10	0.10	0.10	0.10
IT SPECIALIST 2		-	0.18	0.05	0.05	0.05	0.05
Total FTEs		0.0	4.0	1.2	1.2	1.2	1.2

Revenue

Account	Source	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
20R - Radioactive Mixed Waste	0294	-	10,384	10,384	10,384	10,384	10,384
Total Revenue		0	10,384	10,384	10,384	10,384	10,384

Agency: 461 Department of Ecology
Decision Package Code/Title: S2 Implement Chemical Action Plans

Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

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 3 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)

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
173-1 State Toxics Control Account-State		1,653,052	1,653,052
Total Cost		1,653,052	1,653,052
Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>Annual Average</u>
FTEs	.0	7.4	3.7

Package Description:

Some toxic chemicals can have widespread impacts on people and the environment due to their characteristics and the way they are used in manufacturing or in consumer products. For example, polychlorinated biphenyls (PCBs) were largely banned in 1979, but due to the huge volumes used and their attribute of persisting in the environment and building up in the food chain, they are still widespread in Washington residents and the environment (including Puget Sound and the Duwamish and Spokane rivers).

Ecology uses CAPs to evaluate toxic chemicals and provide recommendations that protect people and the environment . CAP development is driven by Ecology's PBT rule (Chapter 173-333 WAC). PBTs are persistent, bioaccumulative and toxic chemicals, often considered the most challenging to manage once they are released to the environment . The current rule identifies about 75 individual chemicals as PBTs, including a number of pesticides and highly toxic solvents, and it is likely this list will grow as new chemicals are identified. The PBT rule lays out a stakeholder process that Ecology must use to develop recommendations to reduce or phase out use of these chemicals. Ecology has ongoing funding to develop one CAP every three years, but no funding to implement CAP recommendations. This request will increase the number of CAPs developed and provide funding for their implementation .

- 1. Increase Pace of CAP Development (\$280,000 per year; 1.6 FTEs):

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A CAP is a comprehensive plan to identify, characterize, and evaluate all uses and releases of a specific chemical or group of chemicals. Each CAP includes a comprehensive evaluation of the sources of the chemical in Washington and makes recommendations to protect human health and the environment by reducing uses, exposures, and releases of the chemical. Ecology develops each CAP in collaboration with Department of Health (DOH), other agencies, and experts representing various businesses, local government, and environmental and public health advocacy sectors. Current funding supports developing one CAP every three years. This request will allow Ecology to double this pace.

Ecology has partnered with DOH to develop five CAPs: mercury in 2003; polybrominated diphenyl ether (PBDE) flame retardants in 2006; lead in 2009; polycyclic aromatic hydrocarbons (PAHs) in 2012; and PCBs in 2015. We will begin work on the next CAP later this year. This request will provide funding for continued DOH participation in CAP development and allow Ecology and DOH to begin another CAP in summer 2016.

2. Implement CAP Recommendations (\$1,373,000 per year; 5.8 FTEs):

This request funds implementation of CAP recommendations once the written plans are completed.

Based on the five completed CAPs, recommendations typically include education and outreach; technical assistance; compliance activities; program or policy development (e.g. developing best management practices for PCBs in buildings or drafting agency request legislation); research activities; grant or loan programs; coordination with the Environmental Protection Agency (EPA), other states and local governments to improve regulation of toxic chemicals; environmental monitoring to fill data gaps; and improving Ecology programs to reduce releases and exposures.

The first CAP Ecology will implement with this request addresses PCBs. The workload for implementing PCB CAP recommendations is an example of what CAP implementation typically involves. Once the bulk of the PCB work is complete, staff will transition to implementing the next CAP.

CAP implementation typically requires significant effort for two to four years. For example, the PCB CAP identifies building materials as a significant and uncontrolled source of PCBs. Based on one of the CAP recommendations, Ecology will develop best management practices (BMPs) to protect people and the environment from PCBs for buildings currently in use and ones that will be demolished. Developing BMPs will be a significant workload for two years, followed by education and outreach for another year to encourage demolition companies, building owners, and local governments to use the BMPs. Once the major recommendations are completed, the workload will decrease to tracking progress in using the BMPs, addressing any new concerns, and providing technical assistance as needed. As PCB CAP implementation work cycles down, Ecology staff will then scale up work on implementing the recommendations for the next CAP.

Ecology and DOH worked with an external advisory group to develop the PCB CAP recommendations regarding additional measures needed to protect human health and the environment. The eight recommendations in the PCB CAP are:

1. Identify lamp ballasts in schools and other public buildings that contain PCBs. Encourage replacement with more energy efficient, PCB-free fixtures. (Research, policy development, education and outreach, technical assistance.)

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2. Develop and promote BMPs to contain PCBs in building materials (such as caulks and paint) currently in use and those slated for remodel or demolition. (Research, policy development, education and outreach, technical assistance.)
3. Assess schools and other public buildings for building materials that contain PCBs. (Research.)
4. Learn more about what products contain PCBs and promote processes that don't inadvertently generate them. Assess alternatives for producing colorants known to result in inadvertent PCB generation. (Research, policy development.)
5. Survey owners of historic electrical equipment, including transformers and large capacitors, to confirm equipment removal and provide technical assistance for proper replacement and disposal. (Research, technical assistance.)
6. Expand environmental monitoring to identify new areas requiring cleanup and investigate the relative importance of air deposition. (Research, monitoring, coordination with EPA and local governments.)
7. Conduct a public education campaign. (Education and outreach.)
8. Conduct a study on which PCB congeners (related chemicals) are present in Washington residents. (Monitoring.)

Ecology will complete items one through six. DOH will complete item seven with Ecology consulting, and DOH will complete item eight (DOH is requesting funding for this item in a separate decision package).

CAPs provide an opportunity for Ecology, DOH, and affected stakeholders to work together to take a comprehensive and credible look at chemicals that are particularly difficult to address. The CAP process is often touted by stakeholders, including business interests, as a good tool for identifying the smartest ways to reduce risks posed by some toxic chemicals. In 2013, the Washington Toxics Reduction Strategies Workgroup- a diverse group of government, business, and non-governmental leaders- included recommendations to accelerate and complete the recommended actions in CAPs (http://www.ecy.wa.gov/toxics/docs/trs_ToxicsPolicyReformWA.pdf). This request will allow Ecology to increase the number of CAPs we develop and, more importantly, provide funding to assure that major risk reduction recommendations are implemented.

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Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The outcome of this request will be reduced releases and exposures to toxic chemicals of concern through implementing CAP recommendations.

Outcomes specific to implementing the PCB CAP include: 1) reduced exposure to children in schools and workers in public buildings where PCBs are still present, with increased energy efficiency; 2) reduced PCB loading to the environment from the reservoir of PCBs not yet released from past uses in products like paints and caulks; 3) better information about the inadvertent production of PCBs and the importance of eliminating these sources (focused on the 70 or so other processes that EPA has identified as likely to result in inadvertent PCB production); 4) identifying alternatives to manufacturing colorants that inadvertently produce PCBs; 5) identifying PCB hot spots to focus additional cleanup of PCBs already released to the environment; and 6) reduced PCB loading to Puget Sound, leading to improved water quality and reduced future cleanup costs.

Performance Measure Detail

Activity: A050	Reduce Persistent Bioaccumulative Toxins (PBTs) in the Environment	Incremental Changes	
		<u>FY 2016</u>	<u>FY 2017</u>
	Measures		
001655	Refer to Narrative Justification	0.00	0.00

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This request is essential to implementing Ecology's strategic plan because eliminating sources of PBT chemicals is a critical element in two of Ecology's priorities: Protect and Restore Puget Sound, and Prevent and Reduce Toxic Threats.

Reducing toxic threats includes actions to prevent pollution first, manage pollution we can't prevent, and clean up pollution we can't or don't manage. Reducing uses and releases of toxic chemicals such as PCBs is a cornerstone of this effort. The PCB CAP recommendations include a suite of actions to:

- Address PCBs that have already been released.
- Prevent the release of the reservoir of PCBs that have yet to be released.
- Prevent production of new PCB sources.

This request will also help reduce PCB levels in the environment and biota of Puget Sound, an important element in the Puget Sound Action Agenda.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This request provides essential support to the Governor's Results Washington Goal 3, Sustainable Energy and a Clean Environment, and Goal 4, Healthy and Safe Communities by:

- Reducing the release of and exposure to priority toxic chemicals, beginning with PCBs.
- Reducing the need for expensive cleanup or treatment systems.

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What are the other important connections or impacts related to this proposal?

Ecology works with a diverse group of stakeholders to develop CAP recommendations. The PCB CAP Advisory Committee included representatives from business, tribes, electric utilities, other state agencies, local government, wildlife scientists, schools, and non-government organizations. Although Advisory Committee members typically do not come to consensus on every recommendation, there is support for all the recommendations by most Advisory Committee members.

Regarding PCBs, the Advisory Committee recognized the difficulty wastewater dischargers currently face as they work to meet water quality standards. There are also numerous fish advisories limiting the amount of fish people should eat, and 158 water body segments listed as impaired due to PCB contamination. There are fish advisories and impairment listings for other toxic chemicals as well, such as mercury and PBDEs. Cleanup and treatment alone are not sufficient to meet the standards or remove the fish advisories already in place due to PCB contamination.

This request also supports the Puget Sound Action Agenda. High PCB levels are in the Puget Sound environment and biota. One 2020 recovery target is reducing PCB levels in fish below thresholds for fish and human health. This request supports strategic initiative C through strategies and actions related to reducing toxic threats, sub-strategy C.1.1 - Implement and strengthen authorities and programs to prevent toxic chemicals from entering the Puget Sound environment to complete the PCB CAP, and near-term action 6 - Emerging Contaminants. This request relates to this near-term action by providing recommended actions to better understand the threats to Puget Sound and address the highest priority problems.

Note: House Bill 1472 in the 2015 legislative session included CAP development and implementation provisions. The bill was not passed. Funding for this request is less than the final fiscal note for the engrossed bill (E2SHB 1472) as we have further refined our assumptions. While this request doubles the pace of CAP development from one every three years to two every three years, it is not to the extent E2SHB 1472 would have allowed.

What alternatives were explored by the agency, and why was this alternative chosen?

Ecology considered continuing to develop and implement CAPs using existing resources (one CAP completed every three years), however we would not have capacity to implement new CAPs without eroding our ability to conduct other core functions. We also considered requesting funds solely to implement the PCB CAP recommendations. We chose to broaden implementation to include future CAPs to assure that ongoing funding is available to implement future recommendations to reduce releases and exposures to toxic chemicals. We chose to request funding to increase the pace of CAP development because there are hundreds of chemicals in use today that pose a risk to people and the environment if they are released. Continuing at a pace of only one CAP every three years fails to meet the goals established by the Governor and Ecology. The PCB CAP process is documented and can be found at <http://www.ecy.wa.gov/programs/swfa/pbt/pcb.html>.

Ecology considered requesting General-Fund State (GF-State) as the funding source for this request due to the volatility of revenue in the State Toxics Control Account (STCA). But toxics reduction work is essential to the Model Toxics Control Act and therefore STCA is the fund source proposed for this request.

What are the consequences of adopting or not adopting this package?

Without this funding, people and the environment would continue to be exposed to toxic chemicals such as PCBs, and actions to reduce these toxic threats would not take place. For chemicals like PCBs, water quality standards would not be met and fish advisories would remain in place. If actions to prevent additional releases of PCBs to the environment are not taken, additional fish advisories are likely, and additional expensive cleanup actions would be needed. Human exposure to PCBs would continue, especially for subsistence fishers and those who work or go to school in buildings containing PCB-laden materials. Implementation could be phased in over several biennia, but preventing releases of additional PCBs is necessary to achieve water quality and human health goals.

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What is the relationship, if any, to the state's capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None

Expenditure and revenue calculations and assumptions

1. Increase Pace of CAP Development (\$280,000 per year; 1.6 FTEs):

Beginning in Fiscal Year 2017 and ongoing, Ecology will require salaries, benefits, and associated staff costs for the following positions to increase the number of CAPs completed each biennium:

1.0 FTE Natural Resource Scientist 3 (NRS-3): This position is a CAP development project lead responsible for working with industry to research the CAP chemical; working with other interested stakeholders during CAP development; developing options for reducing uses of and exposures to the CAP chemical; coordinating and leading the Advisory Committee discussions; leading CAP writing; and assigning research tasks to staff.

0.35 FTE Environmental Specialist 4 (ES-4): This position provides technical support during CAP development and is responsible for providing expertise in air, water, and toxics cleanup for CAP development; research in support of CAP development; reviewing and providing input on CAP development and draft CAP language.

0.2 FTE agency administrative fiscal and information technology support.

Beginning in Fiscal Year 2017 and ongoing, Ecology will need 1.0 FTE of a Toxicologist 2 from DOH to support CAP development. Funding will be provided to DOH through an interagency agreement (object E) for \$126,000 a year.

2. Implement CAP Recommendations (\$1,373,000 per year; 5.8 FTEs):

CAP recommendations are specific to each chemical being considered. However, experience has taught us that education and outreach, technical assistance, research, rules or other policy development, sampling and laboratory tests, and addressing data gaps are consistent needs. This request will fund ongoing staff at Ecology to implement these types of recommendations. We also know that CAP recommendations can include capital investments or grant funding as a remedy. This request does not include funding for that type of activity. For example, the PCB CAP recommends assessing schools for the presence of PCB containing lamp ballasts. And while we know there are such lamp ballasts still used in Washington, we do not know how big the problem really is. If this assessment reveals that most schools have PCB lamp ballasts, Ecology will consider requesting additional funding to support a program to help schools transition away from this use.

Beginning in Fiscal Year 2017 and ongoing, Ecology will require salaries, benefits, and associated staff costs for the following positions to implement CAP recommendations:

1.0 FTE NRS-3: This position will be the CAP implementation project lead responsible for implementing key CAP recommendations; coordinating with other Ecology programs; and tracking and managing CAP implementation efforts. Specific tasks related to implementing the PCB CAP include determining which manufacturing processes and products are likely to produce PCBs, and promoting manufacturing processes that do not inadvertently generate PCBs.

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1.0 FTE ES-3: This position will implement CAP recommendations and provide technical assistance; conduct research; develop policy; and work with communications staff on education and outreach. Specific tasks related to implementing the PCB CAP include surveying schools and assessing the potential for the presence of PCBs in building materials in public buildings; identifying available funding sources to contain or remediate materials in schools that contain PCBs; conducting outreach and education for schools to encourage replacing PCB-containing ballasts and controlling PCB-containing building materials.

1.0 FTE ES-3: This position will implement CAP recommendations and provide technical assistance; research; policy development; and work with communications staff on education and outreach. Specific tasks related to implementing the PCB CAP include developing BMPs for controlling PCB-containing materials in buildings currently in use and those slated for demolition; and providing education and outreach on the BMPs to local governments and those in the building trades.

1.0 FTE NRS-3: This position is a senior research scientist responsible for designing and implementing recommended CAP monitoring studies, including developing sampling plans and quality assurance project plans. Specific tasks related to implementing the PCB CAP include identifying environmental hot spots and conducting air deposition studies.

1.0 FTE ES-1: This position operates under the direction of the senior research scientist to help with collecting and processing environmental samples and other field and data processing operations.

0.8 FTE agency administrative fiscal and information technology support.

In addition to the above staff costs, the following costs are included in Fiscal Year 2017 and ongoing :

Contracts (object C) \$400,000 to conduct alternatives assessments. (For PCBs, this funding will be used for a contract to assess alternatives to manufacturing processes for colorants).

Goods and Services (object E)

- \$200,000 to address the worst of the identified PCB related issues in schools and other public buildings (This funding will be used, for example, to help schools offset the costs of replacing PCB-containing lamp ballasts);
- \$150,000 for specific monitoring needed to implement the PCB CAP for fish tissue, water and sediment monitoring to identify PCB hot spots in the Columbia river;
- \$75,000 for the air deposition study. Once these studies are completed, funding will be used to conduct needed monitoring for subsequent CAPs.
- \$60,000 for interagency agreements with DOH to provide public outreach (0.5 FTE Health Services Consultant 3).

Explanation of costs by object:

Salary estimates are current actual rates at step H, the agency average for new hires. Benefits are the agency average of 35.5 percent of salaries. Goods and services are the agency average of \$4,554 per direct program FTE. Travel is the agency average of \$1,515 per direct program FTE. Equipment is the agency average of \$823 per direct program FTE. Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 26.1 percent of direct program salaries and benefits and is shown in object T. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT Specialist 2.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

All costs are ongoing.

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Decision Package Code/Title: S2 Implement Chemical Action Plans

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages		350,152	350,152
B Employee Benefits		124,303	124,303
C Professional Svc Contracts		400,000	400,000
E Goods\Other Services		639,918	639,918
G Travel		9,620	9,620
J Capital Outlays		5,226	5,226
T Intra-Agency Reimbursements		123,833	123,833
Total Objects		1,653,052	1,653,052

Decision Package Code/Title: PL S2 Implement Chemical Action Plans

6 Year Fiscal Detail

Expenditures by Account		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
173-1	State Toxics Control - State	-	1,653,052	1,653,052	1,653,052	1,653,052	1,653,052
	Total Expenditures	0	1,653,052	1,653,052	1,653,052	1,653,052	1,653,052

Expenditures by Object		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
A	Salaries and Wages	-	350,152	350,152	350,152	350,152	350,152
B	Employee Benefits	-	124,303	124,303	124,303	124,303	124,303
C	Personal Service Contract	-	400,000	400,000	400,000	400,000	400,000
E	Goods and Services	-	639,918	639,918	639,918	639,918	639,918
G	Travel	-	9,620	9,620	9,620	9,620	9,620
J	Capital Outlays	-	5,226	5,226	5,226	5,226	5,226
T	Intra-Agency Reimbursements	-	123,833	123,833	123,833	123,833	123,833
	Total Objects	0	1,653,052	1,653,052	1,653,052	1,653,052	1,653,052

Staffing

Job Class	Salary	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
NATURAL RESOURCE SCIENTIST 3	64,623	-	3.00	3.00	3.00	3.00	3.00
ENVIRONMENTAL SPECIALIST 3	49,304	-	2.00	2.00	2.00	2.00	2.00
ENVIRONMENTAL SPECIALIST 4	57,146	-	0.35	0.35	0.35	0.35	0.35
ENVIRONMENTAL SPECIALIST 1	37,674	-	1.00	1.00	1.00	1.00	1.00
FISCAL ANALYST 2		-	0.63	0.63	0.63	0.63	0.63
IT SPECIALIST 2		-	0.32	0.32	0.32	0.32	0.32
	Total FTEs	0.0	7.4	7.4	7.4	7.4	7.4

Revenue

<u>Account</u>	<u>Source</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Total Revenue		0	0	0	0	0	0

Agency: 461 Department of Ecology
Decision Package Code/Title: S3 Regional and Field Office Moves

Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

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.

Fiscal Detail

Operating Expenditures		<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1	General Fund - Basic Account-State	41,074	80,763	121,837
044-1	Waste Reduct/Recycle/Litter Control-State	7,276	14,306	21,582
173-1	State Toxics Control Account-State	101,862	200,293	302,155
176-1	Water Quality Permit Account-State	35,206	69,227	104,433
19G-1	Environ Legacy Stewardship Account-State	23,236	45,688	68,924
207-1	Hazardous Waste Assistance Account-State	6,337	12,460	18,797
20R-1	Radioactive Mixed Waste Acct-State	13,144	25,844	38,988
217-1	Oil Spill Prevention Account-State	6,571	12,922	19,493
Total Cost		234,706	461,503	696,209

Staffing		<u>FY 2016</u>	<u>FY 2017</u>	<u>Annual Average</u>
FTEs		.0	.2	.1

Revenue		<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
<u>Fund</u>	<u>Source</u>			
20RR	Radioactive MW Acct 0294 Hazardous Waste Fees	13,144	25,844	38,988
Total Revenue		13,144	25,844	38,988

Package Description:

Ecology's regional and field offices primarily serve an implementation role for business areas such as spill response, permitting, technical assistance, site inspection, sampling, investigation, and enforcement. Ecology locates regional and field offices to minimize travel time and expenses related to providing the necessary field presence to accomplish the agency's mission. Ecology is requesting funds to make the unavoidable and required moves of our Vancouver and Bellingham field offices to different locations in the next two years.

VANCOUVER FIELD OFFICE MOVE - \$225,000

Ecology's Vancouver Field Office (VFO) will move to a new location in Fiscal Year (FY) 2017. The VFO is currently collocated with the Washington Department of Fish and Wildlife (WDFW) through an interagency agreement. WDFW has the lease through the Department of Enterprise Services (DES). Ecology had planned to relocate with WDFW to a new space in 2015 to better meet both

Agency: 461 Department of Ecology
Decision Package Code/Title: S3 Regional and Field Office Moves

agencies' business needs. This project was abandoned by the developer in January 2015 because the costs to construct the VFO facility had grown more than \$2 million from the time of the proposal. Both agencies need more and different space to meet business needs. WDFW needs the space currently occupied by Ecology, so we have to move to a new location.

Ecology's space in the new facility will be approximately 7,100 square feet, an increase of 3,600 square feet from the current VFO facility. To assist in managing workspace needs, approximately 272 square feet of office space will be devoted to "hoteling", an alternative workstation concept where employees visiting from other offices can work on a drop-in or project basis. Ecology employees from the Headquarters and Southwest Regional Offices travel to VFO on a regular basis to work on local projects that are managed from VFO; drop-in workstations will allow them to work more effectively with VFO staff. Over the last 17 years at its current location, Ecology has added new program functions that require additional space. Specifically, our Spill Prevention, Preparedness, and Response (SPPR) program has increased operations in Southwest Washington and needs specialized space and storage capacity for response equipment and vehicles. Ecology leads spill prevention and emergency response activities in the state of Washington, and supporting safe and efficient operations for the SPPR program is a core part of Ecology's business.

OFM's Facilities Oversight group approved a final pre-design for this move on May 5, 2015. The request for \$225,000 will cover fees from DES; tenant improvements (changes to the building's interior); installing IT infrastructure; installing building security and access systems; and moving furniture, equipment, and Ecology records to the new VFO location. Ecology will hire a moving service to help with this process. Ecology is also requesting part of a temporary facilities planner for project management - see details below.

VANCOUVER FIELD OFFICE LEASE INCREASE - \$111,574

Lease costs for Ecology's VFO will increase in the 2015-17 biennium by an estimated \$111,574. Ecology will remain in the current VFO location through FY 2016 and the first few months of FY 2017, according to the most recent move timeline. The current lease runs through June 2015 and will be renegotiated at a projected 20 percent increase, going from \$48,532 in FY 2015 to \$58,238 in FY 2016, an increase of \$9,706. Based on OFM's approved pre-design, the lease rate in FY 2017 at the new VFO facility is expected to be \$150,400, an increase of \$101,868 from the FY 2015 rate.

BELLINGHAM FIELD OFFICE MOVE - \$335,063

Ecology's Bellingham Field Office (BFO) will be moving to a different facility in FY 2017. This will reduce Ecology's space in Bellingham by approximately 4,105 square feet. Ecology's ten-year lease in its current location will expire in 2016, and this is an opportunity to move into space that will better suit our business needs and maximize efficiency for field office operations. The lease rate negotiated in 2007 for BFO is higher than current commercial rates in the Bellingham area, and we have not been able to renegotiate lease terms or find other agencies to collocate with. Moving to a smaller facility is the most efficient and cost-effective option. In particular, the new location will include specialized space for storing field gear and research equipment, spill response vehicles and boats, laboratory samples, and chain of custody. Right now, the spill response equipment is located a few miles from the office location, which lengthens emergency response time. The facility will provide a safe, efficient, and well-maintained space for Ecology's business operations in Northwest Washington.

Costs for this move are based on the draft pre-design submitted to OFM on July 31, 2015. A pre-design approved by OFM is expected to be completed in October 2015, at which time Ecology will update the numbers in this decision package. The request will cover fees from DES; tenant improvements; installing IT infrastructure; installing building security and access systems; and moving furniture, equipment, and Ecology records to the new BFO location. Potential lease rate savings for a smaller BFO facility will not be known until lease terms are finalized. If needed, Ecology will submit a decision package in the 2017-19 biennium to reflect adjustments to the lease rate.

TEMPORARY FACILITIES PLANNER - \$24,575

Ecology will require a 0.2 FTE temporary Facilities Planner 2 in FY 2017 to help coordinate the moves in the 2015-17 biennium. This position will directly support the relocation and post-relocation effort for both the VFO and BFO offices through planning and contract management. This includes developing project plans and schedules; managing project budget and expenditures; attending construction meetings with Ecology representatives and project development staff (engineering and construction contractors); construction project

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inspections; procuring new modular furniture and disposing the old; planning and coordinating complex facility move schedules; inventory and disposal of surplus furniture and equipment resulting from the moves; and final project close-out activities .

This position will also provide support during the early stages of other planned regional and field office relocations, including plans to close the Wenatchee Field office in 2016, and move the Northwest Regional Office in 2019. Ecology will submit budget requests for these costs in future legislative sessions once timelines and cost estimates are finalized .

These facility projects are included in Ecology's 2013-2015 Legislative Budget Proviso Facilities Plan, a report required by the Legislature to inventory all of Ecology's owned and leased buildings with a plan to reduce costs and regularly evaluate facility needs . They are also included in OFM's 2015-21 Six-Year Facilities Plan (<http://www.ofm.wa.gov/budget/facilities/plans/2015/2015-21sixyearfacilitiesplanrev012115.pdf>).

Ecology's lease information can be found at <http://www.ofm.wa.gov/budget/facilities/documents/FacilitiesInventorySystemReport2014.pdf>

Agency Contact:
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Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The outcome of this request will be to increase the current level of service Ecology provides by assuring its facilities are efficient, safe, and well-maintained for employees and the public. These facilities provide an operating base for Ecology's programs and are an important link in meeting Ecology's mission to protect, preserve, and enhance Washington's environment for current and future generations.

Performance Measure Detail

Activity: A002 Administration

Incremental Changes
FY 2016 **FY 2017**

Measures

001655	Refer to Narrative Justification	0.00	0.00
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Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This request is essential to implementing Ecology's strategic plan by supporting the staff working in the buildings that implement Ecology's mission critical work across the state. This request is consistent with the facilities goals stated in the strategic plan and will help Ecology effectively serve communities across our state.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This request provides essential support to the Governor's Results Washington Goal 5, Effective, Efficient, and Accountable Government by providing an efficiently-run operating base that supports Ecology's programs as they work to reduce negative impacts

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on the environment.

This request also supports Goal 2, Prosperous Economy by providing Sustainable, Efficient Infrastructure at Ecology facilities. Facilities are an important part of the work Ecology does, and this request will help Ecology maintain facilities in good condition that can effectively support Ecology's business operations.

What are the other important connections or impacts related to this proposal?

The VFO and BFO moves are included in the 2013-19 Six-Year Facilities Plan, and are included in Ecology's 2013-2015 Legislative Budget Proviso Facilities Plan.

What alternatives were explored by the agency, and why was this alternative chosen?

Before finalizing any leases, Ecology will work closely and get approval from OFM Facilities Oversight and DES Real Estate Services to ensure the best choices are made.

What are the consequences of adopting or not adopting this package?

If Ecology doesn't receive an appropriation for the VFO and BFO moves, we would have to cover the expenses from existing funding, which could result in other facility projects and /or maintenance work being delayed. This could also have implications to Ecology's programs and environmental work, because facility costs are allocated to Ecology's programs based on their use of square footage. Ecology could also be forced to stay in the current facilities, lease costs at those facilities would likely increase significantly, and the facilities would continue to not meet Ecology's current business needs.

What is the relationship, if any, to the state's capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None

Expenditure and revenue calculations and assumptions

One-time costs in Fiscal Year 2016 are \$225,000 and \$359,638 in Fiscal Year 2017 for salary, benefits, travel, and associated staff costs for 0.2 FTE Facility Planner 2 to plan and coordinate the moves including developing project plans and schedules; managing project budget and expenditures; attending construction meetings; performing construction project inspections; procurement of new modular furniture and disposal of the old; planning and coordinating complex facility move schedules; inventory and disposal of furniture and equipment resulting from the moves; and project close-out. Expenditure calculations for the VFO move are based on information from the OFM approved Modified Pre-design forms. Expenditure calculations for the BFO move are based on information from the draft Modified Pre-design forms that were submitted to OFM for approval on July 31, 2015. A pre-design approved by OFM is expected to be completed in October 2015, at which time Ecology will update the numbers in this decision package.

Increased costs for the VFO lease (object E) are \$9,706 in Fiscal Year 2016, and \$101,868 a year starting in Fiscal Year 2017 and ongoing based on current lease agreements and estimated amounts identified in the pre-design forms.

Explanation of costs by object associated with the Facility Planner 2 position:

Salary estimates are current actual rates at step H, the agency average for new hires. Benefits are the agency average of 35.5 percent of salaries. Goods and services are the agency average of \$4,554 per direct program FTE. Travel is the agency average of \$1,515 per

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Decision Package Code/Title: S3 Regional and Field Office Moves

direct program FTE. Equipment is the agency average of \$823 per direct program FTE. Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 26.10 percent of direct program salaries and benefits and is shown in object T. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT Specialist 2.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

One-time costs for the moves include the project Facility Planner position and facility move services for VFO and BFO. Increased lease costs for VFO are ongoing. If needed, Ecology will request maintenance level adjustments in future biennia to align with projected lease payments.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages		13,577	13,577
B Employee Benefits		4,819	4,819
E Goods\Other Services	234,706	437,842	672,548
G Travel		302	302
J Capital Outlays		164	164
T Intra-Agency Reimbursements		4,799	4,799
Total Objects	234,706	461,503	696,209

Decision Package Code/Title: PL S3 Regional and Field Office Moves

6 Year Fiscal Detail

Expenditures by Account		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
001-1	General Fund - State	41,074	80,763	17,827	17,827	17,827	17,827
044-1	Waste Red., Recycling & Litter - State	7,276	14,306	3,158	3,158	3,158	3,158
173-1	State Toxics Control - State	101,862	200,293	44,211	44,211	44,211	44,211
176-1	Water Quality Permit - State	35,206	69,227	15,280	15,280	15,280	15,280
19G-1	Enviro Legacy Stewardship - State	23,236	45,688	10,085	10,085	10,085	10,085
207-1	Hazardous Waste Assistance - State	6,337	12,460	2,750	2,750	2,750	2,750
20R-1	Radioactive Mixed Waste - State	13,144	25,844	5,705	5,705	5,705	5,705
217-1	Oil Spill Prevention - State	6,572	12,922	2,852	2,852	2,852	2,852
	Total Expenditures	234,706	461,503	101,868	101,868	101,868	101,868

Expenditures by Object		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
A	Salaries and Wages	-	13,577	-	-	-	-
B	Employee Benefits	-	4,819	-	-	-	-
E	Goods and Services	234,706	437,842	101,868	101,868	101,868	101,868
G	Travel	-	302	-	-	-	-
J	Capital Outlays	-	164	-	-	-	-
T	Intra-Agency Reimbursements	-	4,799	-	-	-	-
	Total Objects	234,706	461,503	101,868	101,868	101,868	101,868

Staffing			<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Job Class	Salary							
FACILITIES PLANNER 2	67,884	-	0.20	-	-	-	-	-
FISCAL ANALYST 2		-	0.02	-	-	-	-	-
IT SPECIALIST 2		-	0.01	-	-	-	-	-
	Total FTEs		0.0	0.2	0.0	0.0	0.0	0.0

Revenue			<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
<u>Account</u>	<u>Source</u>							
20R - Radioactive Mixed Waste	0294	13,144	25,844	5,705	5,705	5,705	5,705	5,705
	Total Revenue		13,144	25,844	5,705	5,705	5,705	5,705

**CURRENT AND PROJECTED LEASED FACILITY COSTS
FOR FACILITY LEASE-RELATED DECISION PACKAGE**

DATE	ACTION	STREET ADDRESS	CITY	SPACE TYPE	SQUARE FEET	LEASE START DATE	LEASE END DATE	SERVICES INCLUDED IN THE LEASE	FY15 FUNDED LEVEL	RENEWAL INCREASE (%)	PROJECTED COSTS FY16	PROJECTED COSTS FY17	FY16 NEED	FY17 NEED	REQUESTED ONE-TIME COSTS	NOTES/ ASSUMPTIONS	
9/3/2015	Close (Office Move)	2108 Grand Blvd.	Vancouver	Office	3,504	12/1/2012	10/31/2015				\$225,000	\$0.00	\$225,000	\$0	\$225,000	Vancouver Field Office	
	Renew (FY 16 Lease)	2108 Grand Blvd.	Vancouver	Office	3,504	12/1/2012	10/31/2015	Assessments, Bulbs, Insurance, Sewer, Storm Water, Taxes and Water	\$48,532	20%	\$58,238	\$0	\$9,706	\$0	\$0	Vancouver Field Office	
	New (FY 17 Lease)	TBD	Vancouver	Office	7,100	7/1/2016	TBD	Assessments, Bulbs, Insurance, Sewer, Storm Water, Taxes and Water				\$150,400	\$0	\$101,868	\$0	Vancouver Field Office	
	Close (Office Move)	1440 10th St.	Bellingham	Office	12,360	2/9/2007	5/31/2017						\$0	\$335,063	\$335,063	Bellingham Field Office	
												Facilities Planner 2:					
												TOTAL for moves:		\$234,706	\$461,506	\$24,575	\$584,638

Agency: 461 Department of Ecology
Decision Package Code/Title: S4 Mitigating Transportation Projects

Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

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)

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
001-1 General Fund - Basic Account-State		130,671	130,671
Total Cost		130,671	130,671
Staffing	<u>FY 2016</u>	<u>FY 2017</u>	<u>Annual Average</u>
FTEs	.0	1.5	.8

Package Description:

Barriers to fish passage in the form of road culverts and other obstructions, are a key environmental issue facing all governments that manage road systems. More information is available at the following link: <http://www.wsdot.wa.gov/Projects/FishPassage/default.htm>. Cities and counties across the state have many fish passage barriers related to culverts in their road systems, but they lack resources to correct these.

During the 2015 session, the Legislature passed Second Engrossed Substitute Senate Bill (2ESSB) 5996 directing Ecology, WSDOT, and WDFW to develop a framework that encourages local fish passage barrier mitigation as compensation for WSDOT project impacts (section 10). The agencies assume the focus is on correcting city and county culverts that restrict fish passage, and will develop a policy framework using the criteria and process steps outlined in the bill.

The objectives and criteria identified in the bill are similar to those in the agreement that WSDOT, WDFW, and Ecology directors signed in 2000 titled "Alternative Mitigation Policy Guidance Interagency Implementation Agreement." The agreement is available at: <https://fortress.wa.gov/ecy/publications/documents/0306007.pdf>. The agencies developed the guidance to improve ecological benefits by mitigating WSDOT project impacts to wetlands, water quality, and fish and wildlife habitat. It uses a holistic approach to aquatic resource mitigation and provides flexibility needed to address watershed restoration and salmon recovery efforts, while operating within existing regulatory frameworks. The agreement is still in effect, and the policies and criteria are still being used. But the agencies will need to develop more detailed policies to support the objectives of the bill.

Agency: 461 Department of Ecology
Decision Package Code/Title: S4 Mitigating Transportation Projects

The bill also directs the agencies to develop a new statewide in lieu fee program or other mechanism to help correct local culverts, where appropriate, for off-site mitigation. As explained in the fiscal note for 2ESSB 5996, Ecology will lead this work, coordinating with WSDOT, WDFW, and others. This will require engaging with all levels of government that have permitting authority over WSDOT projects, including the Army Corps of Engineers.

This request will provide Ecology the resources needed to help develop the policies and the in-lieu fee or similar program required by 2ESSB 5996.

Agency Contact:
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Tom.clingman@ecy.wa.gov

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The outcome of this request will be accomplishing the work set out in section ten of 2ESSB 5996, with the desired end result of correcting city and county culverts that are blocking fish passage. It is not yet possible to quantify the number of culvert corrections that may be achieved through this program.

Performance Measure Detail

Activity: A038 Protect, Restore, and Manage Wetlands

		Incremental Changes	
		<u>FY 2016</u>	<u>FY 2017</u>
	Measures		
001655	Refer to Narrative Justification	0.00	0.00

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This request is essential to implementing a priority in Ecology's strategic plan because fish passage barrier correction is vital to achieving the priority to Protect and Restore Puget Sound; particularly the "protect habitat" strategy.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This request provides essential support to the Governor's Results Washington Goal 3: Sustainable Energy and a Clean Environment; Protect and Restore Washington's Wildlife. It specifically supports goal 2.2.c Increase miles of fish passage barriers corrected per year from 375 to 500 by 2016.

What are the other important connections or impacts related to this proposal?

This work directly links to the work of the Fish Passage Barrier Removal Board. Ecology assumes the Board will help identify priority barriers to be corrected through the program established in 2ESSB 5996. The Board is developing a statewide strategy that will expedite removal of human-made anadromous fish passage barriers in the most efficient way possible. This will be done using a prioritized approach to barrier removal on state and local roads, and on barriers owned by private parties.

Agency: 461 Department of Ecology
Decision Package Code/Title: S4 Mitigating Transportation Projects

See <http://wdfw.wa.gov/about/advisory/fbrb/> for more information.

WSDOT is under court order to make progress in correcting fish barriers, based on the direct impact on treaty rights to salmon. Cities and counties could be subject to similar legal requirements in the future.

There is broad stakeholder interest in correcting fish passage barriers including WDFW, DNR, local governments, tribes, salmon enhancement groups and the U.S. District Court.

What alternatives were explored by the agency, and why was this alternative chosen?

Two alternatives were explored to accomplish the work directed by the bill. The first alternative was funding the necessary work from the Transportation Budget. The WSDOT budget did not include funding for the other agencies to conduct the work in this bill. The second alternative was to displace current Ecology work and absorb the new costs. This work does not prioritize above existing mission-critical activities and long-standing work commitments. Therefore Ecology will need funding to implement the activities required in the bill.

What are the consequences of adopting or not adopting this package?

If funding is not provided, Ecology would not be able to achieve the work directed by 2ESSB 5996. Some policy clarification could be done using the three agencies' existing funding, but this would not meet the full intent of the bill. In particular, creating a statewide in lieu fee program or similar mechanism will require substantial effort involving state agencies, local governments, tribes, the Army Corps of Engineers, and other parties. Without this program, advocates are concerned that off-site mitigation related to culvert corrections would be significantly narrowed.

One specific challenge is timing of the mitigation. Cities and counties are generally aware of culverts that are partial or total barriers to fish, but they do not have funding to prepare engineering designs, environmental assessments, or permits to support action on these barriers. This creates a major lag in time between the WSDOT projects, with unavoidable impacts and mitigation of those impacts through barrier correction. Without an in lieu fee program or other mechanism, there would be no legal bridge between the project impact and the mitigation action. Proponents like the Association of Cities see this legal mechanism as a vital element in achieving the barrier corrections intended by the bill.

What is the relationship, if any, to the state's capital budget?

There is no relationship to the capital budget, but this request does relate to projects funded in the Transportation Budget.

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None

Expenditure and revenue calculations and assumptions

Beginning July 1, 2016, to June 30, 2018, Ecology will require \$131,000 each fiscal year for salaries, benefits, and associated staff costs for 1.25 FTE Environmental Specialist 4. Work includes participating in the three-agency work group, coordinating with Ecology regional and headquarters staff, and providing leadership to develop a statewide mechanism to facilitate culvert corrections. Please note, costs identified in the fiscal note were projected to start July 1, 2015. This request assumes work will be delayed by one year, because the 2016 Supplemental Budget will not be passed until spring 2016.

Explanation of costs by object:

Salary estimates are current actual rates at step H, the agency average for new hires. Benefits are the agency average of 35.5 percent of

Agency: 461 Department of Ecology
Decision Package Code/Title: S4 Mitigating Transportation Projects

salaries. Goods and services are the agency average of \$4,554 per direct program FTE. Travel is the agency average of \$1,515 per direct program FTE. Equipment is the agency average of \$823 per direct program FTE. Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 26.10 percent of direct program salaries and benefits and is shown in object T. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT Specialist 2.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

The costs to develop policies and a statewide fish barrier mitigation program are one-time through June 30, 2018. However, if the new program requires ongoing implementation work by Ecology, we will request funding in a future legislative session because we do not have the resources to absorb the costs of a new program.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
A Salaries And Wages		71,433	71,433
B Employee Benefits		25,359	25,359
E Goods\Other Services		5,693	5,693
G Travel		1,894	1,894
J Capital Outlays		1,029	1,029
T Intra-Agency Reimbursements		25,263	25,263
Total Objects		130,671	130,671

Decision Package Code/Title: PL S4 Mitigating Transportation Projects

6 Year Fiscal Detail

Expenditures by Account		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
001-1	General Fund - State	-	130,671	130,671	-	-	-
	Total Expenditures	0	130,671	130,671	0	0	0

Expenditures by Object		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
A	Salaries and Wages	-	71,433	71,433	-	-	-
B	Employee Benefits	-	25,359	25,359	-	-	-
E	Goods and Services	-	5,693	5,693	-	-	-
G	Travel	-	1,894	1,894	-	-	-
J	Capital Outlays	-	1,029	1,029	-	-	-
T	Intra-Agency Reimbursements	-	25,263	25,263	-	-	-
	Total Objects	0	130,671	130,671	0	0	0

Staffing

Job Class	Salary	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
ENVIRONMENTAL SPECIALIST 4	57,146	-	1.25	1.25	-	-	-
FISCAL ANALYST 2		-	0.13	0.13	-	-	-
IT SPECIALIST 2		-	0.06	0.06	-	-	-
	Total FTEs	0.0	1.5	1.5	0.0	0.0	0.0

Revenue

<u>Account</u>	<u>Source</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
	Total Revenue	0	0	0	0	0	0

Agency: 461 Department of Ecology
Decision Package Code/Title: S5 Emergency Flood Response Grants

Budget Period: 2015-17
Budget Level: PL - Performance Level

Recommendation Summary Text:

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 FCAA to address similar priority emergency flood response and prevention actions during the 2015-17 biennium. (Flood Control Assistance Account)

Fiscal Detail

Operating Expenditures	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
02P-1 Flood Control Assistance Account-State		450,000	450,000
Total Cost		450,000	450,000

Package Description:

The Flood Control Assessment and Assistance Program (FCAAP) is funded by the Flood Control Assistance Account (FCAA) through a statutorily required transfer (RCW 86.26.007) from General-Fund State (GF-S). The program is designed to help local governments reduce flood hazards and damages.

Starting in the 2009-11 biennium, and for each biennium since, the required \$4 million GF-S transfer to the FCAA has been reduced by \$2 million through one-time, back-of-the-budget statutory amendments. In each of these biennia, roughly \$400,000 of the \$2 million FCAAP funding that remained in Ecology's operating budget provided emergency response and hazard reduction grants. In recent years, examples of investments include response to the Nile Valley landslide in Yakima County and emergency removal of structures in eminent risk of falling into rivers.

Ecology uses \$1.6 million of the \$2.0 million FCAAP as match to federal grants from the Federal Emergency Management Agency (FEMA) and to fund approximately six staff. These staff provide technical assistance to local governments to identify low-cost and non-structural measures to mitigate flood hazards by developing and implementing best management practices and regulatory changes in local floodplain management programs.

This request will increase funding for emergency response and hazard reduction from \$400,000 to \$850,000 in the 2015-17 biennium.

Agency: 461 Department of Ecology
Decision Package Code/Title: S5 Emergency Flood Response Grants

This will be done through a one-time appropriation of the \$450,000 fund balance in the account, which accumulated from minor under-spending in the last few biennia. Access to the funding is needed now more than ever. Increased funding will boost Ecology's capacity to respond to flood-related emergencies on a first-come basis. This request will provide vital funding to allow rapid deployment of Washington Conservation Corp (WCC) crews to flooding emergencies, and provide funds to communities to contract directly with flood response entities - speeding up the rate of response and decreasing damage.

FCAAP supports action where communities do not have access to the larger emergency relief or floodplain management funding programs. In smaller flooding events, FCAAP may be the only source of state response to a locally-significant flooding emergency. In larger floods, FCAAP funding allows Ecology to deploy WCC crews immediately, instead of having to wait for FEMA funding to come through.

This request will fund projects like WCC's recent response to flooding and the related landslides in Hoquiam; managing structures in imminent threat of falling into waterways due to erosion; and defining and implementing an action strategy to improve flood water conveyance and reduce damage to homes and infrastructure in Spangle, a small rural Eastern Washington community.

With the unprecedented fire in the Carlton Complex area last summer, along with a new fire season in 2015 that breaks all previous records, the potential for post-fire flash flooding and increased flood heights is greatly increased in the burn areas. Rain and snow-melt run-off from areas recently burned can increase as much as 800 percent without the vegetation to help absorb it. The current fire in the Blue Creek area near Walla Walla is just the latest example of dealing with increased run off and flooding from burned areas. There is an increased need for assistance from the state for the small rural communities that are affected by increased flood risk. We are already experiencing an increased need, and it will continue to grow after our current fire season concludes.

This local grant funding will be available in Fiscal Year 2017. Current staff levels are adequate to manage the additional five or so grant contracts this one-time appropriation will fund. Ecology will document performance outcomes in reduced flooding risk and response to emergency conditions for each funded project.

Agency Contact:
Scott McKinney
(360) 407-6131
scott.mckinney@ecy.wa.gov

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

The outcome of this request will be greater capacity to respond to flood-related emergencies in small Washington communities. The recent response to flooding and related landslides in Hoquiam required about \$50,000, and the flood improvements in Spangle cost about \$100,000. Based on this, we estimate the additional funding will support response to five more flood-related emergencies in Fiscal Year 2017. The actual number may vary, based on the scale and number of emergency flood responses.

Performance Measure Detail

Activity: A040 Provide Technical and Financial Assistance to Local Governments to Reduce Flood Hazards

Incremental Changes
FY 2016 FY 2017

Output Measures

Agency: 461 Department of Ecology
Decision Package Code/Title: S5 Emergency Flood Response Grants

001455	Number of flood-prone communities receiving direct support on regulatory issues, flood hazard reduction, and the protection of floodplain functions and values.	0.00	5.00
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Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This request is essential to implementing three priorities in Ecology's strategic plan :

1. Delivering integrated water solutions, because the citizens of the state expect Ecology and other agencies to respond to on-the-ground needs related to flood problems. This funding will help fill a gap by providing state response to these issues .
2. Preventing and reducing toxic threats, because the threat of toxic contamination due to flooding is reduced through emergency response and prevention work.
3. Reducing and preparing for climate impacts, because climate change is altering streamflows and precipitation patterns . This funding will increase capacity to respond to community needs as these patterns change over time .

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

This request provides essential support to the Governor's Results Washington Goal 4, Healthy and Safe Communities, because responding to emergencies and reducing flood risk improves community safety. It also supports Goal 5, Efficient, Effective, and Accountable Government, by providing capacity for strategic investments in emergency flood response, which provides effective and efficient support to small communities.

What are the other important connections or impacts related to this proposal?

None

What alternatives were explored by the agency, and why was this alternative chosen?

The alternative is to leave the fund balance unallocated in the account .

What are the consequences of adopting or not adopting this package?

Without this one-time appropriation, there would be less funding available to address "gap" funding for localized flood emergencies and preventative actions in small communities that often have no other fund source to address these emergency needs .

What is the relationship, if any, to the state's capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

None

Expenditure and revenue calculations and assumptions

Funding will be passed through to local governments as grants. Expenditures are shown in object N. Projects that involve local

Agency: 461 Department of Ecology
Decision Package Code/Title: S5 Emergency Flood Response Grants

government emergency flood response actions are eligible for FCAAP funding. Eligible entities include counties, cities, towns, conservation districts, and flood control districts. Funding is provided on a first-come, first-served basis with a limit of \$150,000 per county per biennium.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

All costs are one-time.

<u>Object Detail</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
N Grants, Benefits & Client Services		450,000	450,000

Decision Package Code/Title: PL S5 Emergency Flood Response Grants

6 Year Fiscal Detail

Expenditures by Account		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
02P-1	Flood Control Assistance - State	-	450,000	-	-	-	-
	Total Expenditures	0	450,000	0	0	0	0

Expenditures by Object		<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
N	Grants, Benefits, and Client Services	-	450,000	-	-	-	-
	Total Objects	0	450,000	0	0	0	0

Staffing							
Job Class	Salary	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
	Total FTEs	0.0	0.0	0.0	0.0	0.0	0.0

Revenue Account	Source	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
	Total Revenue	0	0	0	0	0	0

State of Washington

Summarized Revenue by Account and Source

BASS - BDS029

9/29/2015
3:17PM

Budget Period: 2015-17
Dollars in thousands
461 - Department of Ecology
Agency Level
S1 - Supplemental 2016
Supporting Text Excluded

	Maintenance Level		Performance Level		Biennium Totals		Total
	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	
20R - Radioactive MW Acct							
MJ - HQ Emergency Generator and HVAC COP		87					
S1 - Ecology Labor System Replacement			13	10			
S3 - Regional and Field Office Moves		87	13	36	13	123	136
Total - 0294 - Hazardous Waste Fees - S							
20R - Radioactive MW Acct - State		87	13	36	13	123	136
Total - 20R - Radioactive MW Acct		87	13	36	13	123	136
461 - Department of Ecology - State		87	13	36	13	123	136
Total - 461 - Department of Ecology		87	13	36	13	123	136

State of Washington
Request for Fees
2016 Supplemental

AGENCY	Title DEPARTMENT OF ECOLOGY
Code 461	

Agy #	Agency Name	Fee Code	Name of Fee	Is a bill required?	Z-Draft # (or Pending)	New, Increased, Continued?	Incremental Revenue Dollars in Thousands				Tied to Expenditure Change?	Fee Payer Position	Explanation of Change
							GF-S		Other Funds				
							FY 2016	FY 2017	FY 2016	FY 2017			
461	Dept. of Ecology	K003	Mixed Waste Management Fee	Budget	No Legislation	Increase			13	123	Supports New Expenditures. See ML MJ, PL S1 and PL S3	Ecology planned and has informed USDOE of its two-year workplan.	The mixed waste management fee is intended to cover the state's costs for implementation of the Hazardous Waste Management Act at mixed waste facilities. The fee is collected annually from USDOE based on estimated biennial costs for Ecology to carry out the duties under the Dangerous Waste Regulations (chapter 173-303 WAC). Revenue increases are necessary to support the increase in expenditures proposed in (1) ML MJ HQ Emergency Generator and HVAC COP, (2) PL S1 Ecology Labor System Replacement, and (3) PL S3 Regional and Field Office Moves.
Additional Comments													

2016 Supplemental Budget Requests Supporting the Puget Sound Action Agenda

September 28, 2015

Operating

Decision Package	Sub-strategy	Near-term action	Puget Sound Dollars	Total Dollars
1. PL S2 Implement Chemical Action Plans	C1.1 Implement and strengthen authorities and programs to prevent toxic chemicals from entering the Puget Sound environment	C1.1.6 Emerging Contaminants	\$991,831	\$1,653,052
Total Operating Requests in Support of the Puget Sound Action Agenda			\$991,831	

Capital

Project Request	Sub-strategy	Near-term action	Puget Sound Dollars	Total Dollars
1. 30000667 Centennial Clean Water Program	C6.3 Implementing priority upgrades of municipal and industrial wastewater facilities		\$900,000	\$15,000,000
	C5.3 Improving and expanding funding for onsite sewage systems and local large onsite sewage system program		\$450,000	
	C3.1 Targeting voluntary and incentive-based programs that help working farms contribute to Puget Sound recovery		\$1,080,000	
Total Capital Requests in Support of the Puget Sound Action Agenda			\$2,430,000	

2016 Supplemental Budget

Fund Transfers

Department of Ecology

September 2015

Purpose: This table summarizes Treasurer fund transfers identified by Ecology for inclusion in the 2016 Supplemental Budget.

Item	Budget Reference	Account From	Account To	FY 16 Amt	FY 17 Amt	Bien Total	Explanation & Statutory Citation
1	Z0564.1 Updating specified environmental statutes of the Department of Ecology to improve efficiency and provide for increased flexibility for local governments.	Vessel Response Account (07C)	Coastal Protection Account (408)		224,000	224,000	<p>The Vessel Response Account (VRA) is an appropriated fund established by the 2003 Legislature for the purpose of funding the Neah Bay emergency response tug. Subsequently, the 2009 Legislature required the maritime industry to maintain a tug at Neah Bay eliminating the need for state funding. Since July 1, 2010 the tug has no longer been supported by the VRA and the account is now obsolete.</p> <p>The cash balance in the VRA as of August 3, 2015, is \$224,000. Ecology is submitting legislation to close the VRA (RCW 90.56.335), transfer the balance and redirect future revenue into the Coastal Protection Account (CPA) (RCW 90.48.390).</p> <p>This request is for a Treasurer's Transfer of \$224,000 or the remaining cash balance of the VRA into the CPA when this bill would take effect.</p>

Washington Department of Ecology

2016 Supplemental Budget

Capital Budget

**461 - Department of Ecology
Ten Year Capital Plan by Project Priority**
2015-17 Biennium *

Version: S1 2016 Supplemental

Report Number: CBS001
Date Run: 9/29/2015 4:28PM

Project by Agency Priority										
Priority	Project by Account-EA Type	Estimated Total Expenditures	Prior Expenditures	Current Expenditures	Reapprop 2015-17	New Approp 2015-17	Estimated 2017-19	Estimated 2019-21	Estimated 2021-23	Estimated 2023-25
1	30000458 Remedial Action Grants									
	057-1 State Bldg Constr-State	244,604,000				19,604,000		75,000,000	75,000,000	75,000,000
	174-1 Local Toxics Control-State	45,446,000				45,446,000				
	Project Total:	290,050,000				65,050,000		75,000,000	75,000,000	75,000,000
2	30000542 Cleanup Toxics Sites - Puget Sound									
	057-1 State Bldg Constr-State	8,188,000				8,188,000				
	173-1 State Toxics Control-State	95,983,000				14,312,000	47,882,000		22,327,000	11,462,000
	19G-1 ELS Account-State									
	Project Total:	104,171,000				22,500,000	47,882,000		22,327,000	11,462,000
3	30000432 Eastern Washington Clean Sites Initiative									
	057-1 State Bldg Constr-State	6,440,000				6,440,000				
	173-1 State Toxics Control-State	14,733,000				4,560,000	2,638,000		3,936,000	3,599,000
	Project Total:	21,173,000				11,000,000	2,638,000		3,936,000	3,599,000
4	30000490 Leaking Tank Model Remedies									
	057-1 State Bldg Constr-State	1,624,000				1,624,000				
	173-1 State Toxics Control-State	12,376,000				376,000	4,000,000		4,000,000	4,000,000
	Project Total:	14,000,000				2,000,000	4,000,000		4,000,000	4,000,000
5	30000667 Centennial Clean Water Program									
	057-1 State Bldg Constr-State	255,000,000				15,000,000	60,000,000	60,000,000	60,000,000	60,000,000
6	30000430 Swift Creek Natural Asbestos Flood Control & Cleanup									
	057-1 State Bldg Constr-State	15,000,000				3,800,000	11,200,000			

**461 - Department of Ecology
Ten Year Capital Plan by Project Priority**
2015-17 Biennium *

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Total	699,394,000	71,200,000	189,520,000	165,263,000	154,061,000
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Total Account Summary

Account-Expenditure Authority Type	Estimated Total	Prior Expenditures	Current Expenditures	Reappropriated 2015-17	New				
					Appropriated 2015-17	Estimated 2017-19	Estimated 2019-21	Estimated 2021-23	Estimated 2023-25
057-1 State Bldg Constr-State	530,856,000				71,200,000	135,000,000	135,000,000	135,000,000	135,000,000
173-1 State Toxics Control-State	123,092,000			19,248,000		54,520,000	30,263,000	19,061,000	
174-1 Local Toxics Control-State	45,446,000			45,446,000					
19G-1 ELS Account-State									
Total	699,394,000			119,350,000	71,200,000	189,520,000	165,263,000	154,061,000	

Capital Project Request

2015-17 Biennium

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Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/29/2015 3:59PM

Project Number: 30000458

Project Title: Remedial Action Grants

Description

Starting Fiscal Year: 2016

Project Class: Grant - Pass Through

Agency Priority: 1

Project Summary

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 Remedial Action 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 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 RA grant projects. Ecology requests State Building Construction Account (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.

Project Description**What is the proposed project?**

Ecology's primary tool for helping local governments clean up contaminated sites is the RA grant program. The purpose of this program is to expedite cleanup and redevelopment of contaminated sites and to ease the financial impact of cleanup on local ratepayers and taxpayers. The funding is intended to supplement local government funding and funding from other sources, including insurance and contribution claims. Cleaning up contaminated sites protects the groundwater that serves over half of the state's population, and it promotes a healthy environment for Washingtonians. Cleaning up contaminated sites can provide other benefits, including:

- Reusing scarce industrial sites in urban areas.
- Expanding local tax bases.
- Promoting livable communities.
- Promoting local economic development.
- Preserving farmland.

The enacted budget provided \$65 million of LTCA funding for RA grants in the 2015-17 Capital Budget, assuming about half of this amount (\$32 million) would be spent in the 2017-19 biennium. However, with the recent and significant drop in the price of oil and the correlated decrease in the September 2015 Hazardous Substance Tax (HST) forecast (MTCA's major revenue source), revenue projections for all three MTCA accounts (State Toxics Control Account, LTCA, Environmental Legacy Stewardship Account) will fall short of the 2015-17 enacted budget expenditure assumptions.

Attachment A details the revised fund balance estimates for the 2015-17 and 2017-19 biennia for the September 2015 forecast (Ecology will update this attachment with the November 2015 and February 2016 HST forecasts.) Department of Revenue's September 2015 HST forecast and actual collections dropped projected capacity in the three MTCA accounts by \$60 million. Implementing the 2015-17 enacted biennial budget will be extremely challenging. The last four months – May 2015 through September 2015 – have shown Ecology will be hard pressed to maintain positive cash balances in the three MTCA accounts and to make significant cleanup investments when declining oil prices are driving revenue volatility. Ecology will have to delay capital cleanup projects to maintain a positive cash balance and give the Governor and Legislature time to update the enacted 2015-17 budget to address this major change.

The enacted budget provided three tools for managing cash in the MTCA accounts in Section 7038 of the 2015-17 biennium

Capital Project Request

2015-17 Biennium

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Report Number: CBS002

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Project Number: 30000458

Project Title: Remedial Action Grants

Description

capital budget bill (2EHB 1115):

1. Authorized transfers between the accounts to maintain positive account balances.
2. Authorized a loan from the Cleanup Settlement Account of up to \$13 million repaid with interest in three equal repayments in fiscal years 2018, 2019, and 2020.
3. Authorized Ecology to delay the start of cleanup projects.

Ecology and the Office of Financial Management, developed a MTCA Cash Management Plan (Plan) for the 2015-17 biennium. The Plan describes Ecology's use of these options to maintain positive cash balances in the accounts, including delaying several high-priority cleanup projects. All three tools are being used to help manage these funds.

Section 7038 (3) specifies that if further reductions are needed to maintain positive account balances after using the inter-fund transfer authority, Ecology is authorized to delay the start of cleanup projects based on acuity of need, readiness to proceed, cost-efficiency, or need to ensure geographic distribution. The Plan outlines the Toxics Cleanup Program's (TCP) approach to implementing the legislative criteria. If Ecology uses this authority, we must submit a prioritized list of projects that may be delayed to the Office of Financial Management and the appropriate legislative fiscal committees. Attachment B includes a list of the prioritized RA grant projects that will be delayed due to the MTCA revenue shortfall.

The process TCP used to prioritize grant projects included:

- 1) Applying Section 7038 criteria as detailed in the Plan.
- 2) Where groups of projects met all of the same Section 7038 criteria, projects were further ranked considering the original prioritized list Ecology submitted with the 2015-17 budget request.
- 3) Reviewing current information from grant recipients and Ecology's regional cleanup managers on the status of projects to further refine the prioritization. Considering, for instance, the construction stage of projects, schedule changes, whether permits are in hand, if projects are ready to bid, if projects leverage partnerships, and if projects have already incurred eligible costs.

In addition to the tools provided in Section 7038, Ecology is actively managing this revenue 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 SBCA dollars before MTCA in two non-cleanup projects- Centennial and Stormwater- that received both MTCA and SBCA funding in the 2015-17 biennium. The enacted budget already assumes \$121 million of MTCA expenditures will occur in the 2017-19 biennium. By spending SBCA 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.

When including the \$14 million SBCA adjustment as illustrated in Attachment C, Ecology estimates that a total of \$18.4 million will be available for cleanup projects in 2015-17, unless there is a legislative fix that fills the revenue shortfall. Apportioning the \$18.4 million across the four cleanup projects (RA grants, Cleanup Toxic Sites - Puget Sound, Eastern Washington Clean Sites Initiative, and Leaking Tank Model Remedies) based on their overall appropriation leaves about \$11 million for new RA grants in the 2015-17 biennium.

Ecology will use the \$11 million this biennium to fund the projects above the line in Attachment B. Projects in Yakima, Pasco, Everett, Port Angeles and Mt. Vernon will receive funding to ensure projects under construction continue through completion; to monitor cleanups so "hot-spot" sources of contamination are found and removed; and to enter an Agreed Order so the opportunity to leverage RA grant funding with local, private and federal partners stays viable.

Capital Project Request

2015-17 Biennium

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Version: S1 2016 Supplemental

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Project Number: 30000458

Project Title: Remedial Action Grants

Description

Funding will cover first year costs of local health department staff and Ecology's grant and cash management staff while a legislative fix is considered to address the MTCA revenue shortfall. When Ecology receives information that a site may pose a threat to human health or the environment (RCW 70.105D.030 (2)), an investigation must be completed within 90 days. Local health departments receive grants to complete initial investigations for Ecology and Ecology has formed a relationship with the local health departments to ensure these environmental risks are addressed and understood in a timely manner.

One of Ecology's core and most critical responsibilities is to ensure prudent financial management of state funds. Ecology has two grant managers overseeing about 50 existing RA grants funded with more than \$95 million in reappropriated funds. The \$11 million will add more than 20 new grants to the program (seven oversight grants and about 16 site hazard assessment grants) and Ecology needs staff to manage all of these grants. Also, cash management is now a critical function and central to continuing any Ecology funded cleanup work. We must continuously watch, plan and manage the volatility in the MTCA accounts to ensure grant obligations are fulfilled.

If backfill funding is not provided for the projects that fall below the line, they will not be able to proceed as planned in the enacted budget. Contamination would remain in these areas leaving potential threats to human health and the environment and hindering opportunities for investments in redevelopment. The projects "above the line" meet all of the Section 7038 criteria. The first ten projects below the line meet all the criteria too. They are: projects in construction; projects with permits in-hand; projects ready to bid; projects leveraging partnerships; projects providing for initial investigations and hazard assessments; funding for fiscal oversight. Where projects were tied under Section 7038 criteria, Ecology used the original 2015-17 project ranking and more recent site information from Ecology's cleanup managers to get to the final ranking of projects. Those further down the list include planning grants that help jump-start cleanup, grants for eligible costs on completed cleanup projects, and projects where the schedule has changed. While these projects ranked lower based on the Section 7038 criteria, they are solid projects that are high priorities for Ecology, our local partners, and communities.

During the 2009-11 biennium, the Legislature managed some impacts to the state budget brought on by the Great Recession by transferring MTCA funding to the General Fund-State (GF-State). There were direct transfers, but the Legislature also preserved investments in cleanup. In the Remedial Action Grant Program, SBCA was used to backfill MTCA transfers. This provided funding for existing projects and invested in new Remedial Action grants during the economic downturn. Now, the economy is in a growth period – the very time when toxic site cleanup is affordable and interest in redevelopment is high. Ecology requests that \$19.6 million in SBCA funding be appropriated so important cleanup work is not delayed in the 2015-17 biennium. This amount represents the expected spending need in the current biennium for ready-to-proceed projects. It will be a zero-sum fund shift of dollars supporting capital budget appropriations already made, and will change the fund source for RA capital projects so they can begin work this biennium.

What opportunity or problem is driving this request?**The reason for the project:**

RA grants are used to help local governments clean up contaminated sites, using several priority setting criteria established by rule. Cleaning up contaminated sites protects the groundwater that serves over half the state's population, and it promotes a healthy environment for Washingtonians. Cleaning up contaminated sites can provide other benefits, including reusing scarce industrial sites in urban areas; expanding local tax bases; promoting livable communities; promoting local economic development; and preserving farmland.

Dramatic reductions in actual revenue collections and projected future revenue are the reason this request is needed. Oil prices have dropped from a high of \$104 per barrel in August 2014* to a low of \$42 per barrel in August 2015. Forecasted HST revenue for the 2015-17 biennium decreased from \$326 million in the May 2015 forecast to \$276 million in the September 2015 forecast - a decrease of \$50 million. Actual revenue collections for May and June 2015 fell \$10 million short of the forecast, for a total revenue shortfall of \$60 million from the May 2015 forecast.

Also, the enacted budget appropriated \$121 million more than was projected in actual revenue from the May 2015 forecast assuming these dollars would be spent in future biennia. This has created an additional challenge in managing the shortfall. Finally, recent enacted budgets during the Great Recession have shifted \$53.8 million in funding for long-standing core

Capital Project Request

2015-17 Biennium

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Project Number: 30000458

Project Title: Remedial Action Grants

Description

environmental and public health protection work funded at Ecology and other agencies from the GF-State to MTCA accounts. These fund shifts are also contributing to the overall tight MTCA capacity. Providing SBCA backfill funding will allow these important projects to proceed.

**Source: U.S. Department of Energy Europe Brent Spot Price FOB*

The effects of non-funding:

The RA grant program is well established for helping local governments clean up contaminated sites in their communities. It is a high funding priority in MTCA, and is the mechanism for carrying out the provisions of this law. It requires local funding match, which leverages additional dollars for these cleanup and redevelopment projects. Providing bond backfill funding will allow the state to further meet its statutory obligation to provide continued support to local governments for cleaning up toxics in the environment. If this request is not funded, Ecology would have to delay important cleanup projects until sufficient MTCA revenue is available to help local governments meet their obligations to eliminate toxic threats and protect the people living in their communities.

How does the project support the agency and statewide results?

This project is essential to implementing Ecology's strategic plan because it supports the priorities to Prevent and Reduce Toxic Threats and Protect and Restore Puget Sound. It contributes resources to continue activity A005, "Clean the Worst Contaminated Sites First."

This request is essential to support the Governor's budget and economic development priorities by investing funds to protect public health and natural resources. This request will also support Results Washington Goal 3, Sustainable Energy and a Clean Environment by cleaning up and managing contaminated sites that pose threats to public health, the environment, groundwater, and fish and wildlife resources. Specifically:

Goal 3/Goal Topic/Sub-Topic: Sustainable Energy and a Clean Environment/Clean and Restored Environment Healthy Lands.

Outcome Measure 3.1 – Increase the number of contaminated sites cleaned up by 17 percent from 5,815 to 6,803 by 2020.

Leading Indicator 3.1.a – Increase number of contaminated brownfield sites returned to economically productive use from 476 to 641 by 2016.

This work also supports Goal 2, Prosperous Economy by creating and supporting jobs and making it possible to redevelop previously contaminated land to support economic growth in communities.

What are the specific benefits of this project?

This request contributes to cleanup progress in Washington, and there will be a direct impact on human health and the environment by fully funding these cleanups. The impacts will be largely felt in areas in or immediately adjacent to Puget Sound. There will also be economic redevelopment benefits, because cleanup at a number of these sites is the first step in the redevelopment process.

This is a continuing and well established program to help local governments. Funding this request will allow Ecology to provide continued and enhanced support to local governments for cleaning up toxics in the environment.

Cleaning up contaminated property is usually integrated with economic development, habitat restoration, and public recreation projects. Most cleanup projects are the first phase of a larger community or economic redevelopment projects where the cleanup site is the focal point of the project.

How will clients be affected and services change if this project is funded?

Capital Project Request

2015-17 Biennium

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Version: S1 2016 Supplemental

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Project Number: 30000458

Project Title: Remedial Action Grants

Description

This request will continue to provide funding to meet local government RA grant needs. This funding will help local governments clean up contaminated properties to be redeveloped and provide an economic benefit to the community.

Are FTEs required to support this project?

The enacted budget included the 2.9 FTE needed to support RA grants and cash management of the MTCA accounts. As noted in Attachment B, Ecology will fund the first year staffing costs from the \$11 million MTCA funding available this biennium. Ecology is requesting SBCA cover staffing costs in the second year of the biennium.

How will the other state programs or units of government be affected if this project is funded?

The costs of remediating hazardous waste sites are often beyond the financial means of local governments and ratepayers. The RA grant program is used to supplement local government funding and funding from other sources to carry out required remedial action. If this request is funded, this grant program will continue to benefit local governments statewide.

What is the impact on the state operating budget?

None

Why is this the best option or alternative?

Ecology considered several alternatives for funding these projects. One alternative considered was increasing the HST by an inflationary factor. The HST has not been increased since voters approved it in 1988. But there may not be political support to increase the tax at this time. An alternative approach would be to pass a tax surcharge that turns on when certain revenue conditions are not met.

A second alternative would be to swap back some or all of the ongoing GF-State to MTCA fund shifts. During the last several years the Legislature has moved \$53.8 million in ongoing GF-State operating budget appropriations to the MTCA accounts to address the Great Recession (see Attachment D for a list of these fund shifts). Swapping back these operating expenditures from MTCA funding to GF-State would free up MTCA revenue.

Another alternative was to take a loan from the Cleanup Settlement Account greater than the \$13 million authorized in Section 7038 of 2EHB 1115. This alternative was not pursued because the provisions require pay-back with interest and we cannot be sure the borrowing MTCA account would be able to repay the loan obligation. Also, taking a higher loan amount could jeopardize Ecology's ten year plan for the work intended to be funded by the Cleanup Settlement Account.

If an alternative solution is not provided, Ecology will have to delay RA cleanup projects until revenue recovers in the MTCA accounts. Funding a bond backfill is the best option because it will fund the capital budget as the Legislature originally intended and give Ecology the resources to implement the budget as originally passed.

What is the agency's proposed funding strategy for the project?

Ecology's proposed funding strategy is to use \$19.6 million State Building Construction Account and reduce the Local Toxics Control Account funding by the same amount so important RA cleanup work can begin immediately, rather than having to delay projects until sufficient MTCA revenue is available.

The ten-year plan estimates are based on the original 2015-17 capital budget submittal by Ecology. Because the MTCA accounts have a projected negative \$9.5 million fund balance in the 2017-19 biennium without one dollar for new investments, Ecology has shifted the ten-year plan estimates forward one biennium. There is a need for toxic site cleanup during the 2017-19 biennium, and we will assess how much to request in the 2017-19 biennial budget with the June 2016 revenue forecast.

Project Type

Grants

Capital Project Request

2015-17 Biennium

*

Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/29/2015 3:59PM

Project Number: 30000458

Project Title: Remedial Action Grants

Description

Grant Recipient Organization: NA

RCW that establishes grant: NA

Application process used

NA

Growth Management impacts

RA grants support redevelopment of brownfield properties in urban areas

Funding

Acct Code	Account Title	Estimated Total	Expenditures		2015-17 Fiscal Period	
			Prior Biennium	Current Biennium	Reappropriations	New Appropriations
057-1	State Bldg Constr-State	244,604,000				19,604,000
174-1	Local Toxics Control-State	45,446,000				45,446,000
174-1	Local Toxics Control-State					
Total		290,050,000	0	0	0	65,050,000

		Future Fiscal Periods			
		2017-19	2019-21	2021-23	2023-25
057-1	State Bldg Constr-State		75,000,000	75,000,000	75,000,000
174-1	Local Toxics Control-State				
174-1	Local Toxics Control-State				
Total		0	75,000,000	75,000,000	75,000,000

Operating Impacts

No Operating Impact

Expected Use of Bond/COP Proceeds

Agency No.	461	Agency Name	Department of Ecology
Contact Name:	Angie Wirkkala		
Phone:	360-407-7219	Fax:	
Fund(s) Number:	057	Fund Name:	State Building Construction Account
Project Number:	30000458	Project Title:	Remedial Action Grants`

1. Will any portion of the project or asset ever be owned by any entity other than the state or one of its agencies or departments? Yes No
2. Will any portion of the project or asset ever be leased to any entity other than the state or one of its agencies or departments? Yes No
3. Will any portion of the project or asset ever be managed or operated by any entity other than the state or one of its agencies or departments? Yes No
4. Does the project involve a public/private venture, or will any entity other than the state or one of its agencies or departments ever have a special priority or other right to use any portion of the project or asset to purchase or otherwise acquire any output of the project or asset such as electric power or water supply? Yes No
5. Will any portion of the Bond/COP proceeds be granted or transferred to nongovernmental entities or granted or transferred to other governmental entities which will use the grant for nongovernmental* purposes? Yes No
6. If you have answered "Yes" to any of the questions above, will your agency or any other state agency receive any payments from any entity, other than the state or one of its agencies or departments or any local government units, for the use of, or in connection with, the project or assets? Yes No
7. Will any portion of the project or asset, or rights to any portion of the project or asset, ever be sold to any entity other than the state or one of its agencies or departments? Yes No
8. Will any portion of the Bond/COP proceeds be loaned to nongovernmental entities or loaned to other governmental entities that will use the loan for nongovernmental purposes? Yes No
9. Will any portion of the project or asset be used to perform sponsored research under an agreement with a nongovernmental person, such a business corporation or the federal government, including any federal department or agency? Yes No

***Nongovernmental purposes is defined in the Glossary and examples provided in Section 4.3 of the Capital Budget Instructions.**

- If the answer to any one of questions 1 through 5 is yes and answers to 6, 7, and 8 are no, request tax exempt funding.
- If the answer to any one of questions 1 through 5 is yes and 6 is yes, request taxable funding from Fund 355.
- If the answer to all of questions 1 through 6 are no and the answer to either question 7 or 8 is yes, request taxable funding from Fund 355.
- If the answer to question 9 is yes, please provide a detailed explanation of the terms of any and all of such sponsored research agreements.

Attach this form to your project in CBS. The Office of the State Treasurer, bond counsel, or the Office of Financial Management may review this form for any projects requested in the budget.



9/17/2015

Estimated Fund Balances for MTCA Related Accounts 2015-17 Enacted and 2017-19 Projection After September 2015 Forecast

ATTACHMENT A

Purpose: Provide projected ending fund balances in accounts related to the Model Toxics Control Act after beginning 2015-17 balances and September 2015 revenue forecast.

Assumptions: (1) Beginning 2015-17 Fund Balance and Reappropriations based on 2013-15 Phase 3 September 16, 2015. (2) 2015-17 based on Enacted budget expenditure assumptions provided by legislative staff. (3) 2017-19 Operating is CFL estimate and Capital is necessary unspent amounts from 2015-17.

		2015-17					2017-19				
Dollars in thousands		STCA	LTCA	ELSA	TOTAL	STCA	LTCA	ELSA	TOTAL		
1	BEGINNING FUND BALANCE	\$37,125	\$77,181	\$26,447	\$140,754	\$5,902	(\$18,009)	(\$43,869)	(\$55,976)		
2	REVENUE										
3	Hazardous Substance Tax (DOR September 2015)	\$150,136	\$117,964	\$7,715	\$275,815	\$156,800	\$123,200	\$83,989	\$363,989		
4	Ecology Revenue	\$11,253			\$11,253	\$11,253			\$11,253		
5	Total Revenue	\$161,389	\$117,964	\$7,715	\$287,068	\$168,053	\$123,200	\$83,989	\$375,242		
6	TRANSFERS										
7	Transfers	\$4,700	(\$69,400)	\$64,700	\$0				\$0		
8	OPERATING EXPENDITURES										
9	Ecology Operating	\$129,259	\$4,628	\$44,295	\$178,182	\$131,805	\$4,664	\$44,554	\$181,023		
10	Other Agency Operating	\$18,388		\$3,869	\$22,257	\$17,222		\$2,716	\$19,938		
11	Total Operating	\$147,647	\$4,628	\$48,164	\$200,439	\$149,027	\$4,664	\$47,270	\$200,961		
12	CAPITAL REAPPROPRIATIONS										
13	Ecology Reappropriations	\$32,834	\$125,823	\$153,924	\$312,581						
14	Enacted Budget Expenditure Assumptions	(\$3,000)	(\$19,339)	(\$34,048)	(\$56,387)	\$14,869	\$72,014	\$34,048	\$120,931		
15	Ecology Reappropriation Adjust for 13-15 Expend.	(\$8,968)	(\$23,881)	(\$26,444)	(\$59,293)						
16	Other Agency Reappropriation	\$1,118	\$1,194	\$395	\$2,707						
17	Other Agency Reappropriation Adjust for 13-15 Expend.		(\$44)	(\$116)	(\$161)						
18	Total Reappropriations	\$21,984	\$83,752	\$93,712	\$199,447	\$14,869	\$72,014	\$34,048	\$120,931		
19	CAPITAL NEW APPROPRIATIONS										
20	Ecology New Appropriation	\$38,550	\$108,050		\$146,600						
21	Enacted Budget Expenditure Assumptions	(\$11,869)	(\$52,675)		(\$64,544)						
22	Other Agency New Appropriation	\$1,000		\$856	\$1,856						
23	Total New Appropriations	\$27,681	\$55,375	\$856	\$83,912						
24	Total Capital	\$49,665	\$139,127	\$94,568	\$283,359	\$14,869	\$72,014	\$34,048	\$120,931		
25	ENDING FUND BALANCE										
26	Working Capital Reserve	(\$3,000)	(\$1,000)	(\$2,900)	(\$6,900)	(\$3,000)	(\$1,000)	(\$2,900)	(\$6,900)		
27	ENDING FUND BALANCE	\$2,902	(\$19,009)	(\$46,769)	(\$62,876)	\$7,059	\$27,513	(\$44,098)	(\$9,526)		

Department of Ecology
Toxics Cleanup Program
2016 Supplemental Budget Request
Bond Backfill Proposal for Remedial Action Grants (30000458)
As of: 9/24/2015

PURPOSE
 1) Identify Remedial Action Grant (RAG) projects appropriated in the 2015-17 Enacted Capital Budget that Ecology plans to fund with estimated cash resources in the Model Toxics Control Act (MTCA) accounts for the 2015-17 biennium - projects lightly shaded and above the line.
 2) Detail RAG projects appropriated in the 2015-17 Enacted Capital Budget that cannot be funded because of insufficient cash resources -- unshaded projects and below the line.

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 clean up projects. Ecology requests State Building Construction Account (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 list represents cleanup projects appropriated in the enacted budget and is a plan for implementing the enacted 2015-17 budget based on the best information available to Ecology. The plan may change as more information becomes available.

APPLICATION OF SECTION 7038 ENACTED BUDGET CRITERIA
 The 2015-17 enacted capital budget (2EHB 1115, Section 7038(3)) provided Ecology with criteria to use to identify delayed cleanup projects. The Toxics Cleanup Program reviewed each project in this table and ranked individual grants by:
 1) Applying Section 7038 criteria as detailed in the 2015-17 Biennium Cash Management Plan for the Model Toxics Control Act accounts. The criteria are:
 > Acuity of Need - Projects were given a '1' in the table below if legally required; awaiting state reimbursement for past costs; steady flow of funding required for projects currently in construction; interim actions; or recipient organization past spending patterns.
 > Readiness to Proceed - Projects were given a '1' in the table below if a contract is in place; local government approvals are complete; orders are final; stage of cleanup has reports and public comment complete; or permits are in hand.
 > Cost Efficiency - Projects were given a '1' in the table below if existing investments will be lost or if state funding leverages other cleanup investments.
 > Need to Ensure Geographic Distribution - This criteria is met across all four Toxics Cleanup Program capital projects (Remedial Action Grants, Cleanup, Toxic Sites-Puget Sound, Eastern Washington Clean Sites Initiative, and Leaking Tank Model Remedies). Project lists demonstrate geographic distribution throughout Washington by listing the individual grant or state-directed investment by county.
 2) Where groups of projects met all of the same Section 7038 criteria, projects were further ranked considering the original prioritized list Ecology submitted with the 2015-17 budget request.
 3) Reviewing current information from grant recipients and Ecology's regional cleanup managers on the status of projects to further refine the prioritization. Considering, for instance, the construction stage of projects, schedule changes, whether permits are in hand, if projects are ready to bid, if projects leverage partnerships, and if projects have already incurred eligible costs.

		Section 7038 Criteria									
Rank (9/2015)	Recipient	Project	Description	Acuity of Need	Readiness to Proceed	Cost Efficiency	Need to Ensure Geographic Distribution	Cost	Running Total	Leg. District	Notes
1	Yakima, City of	Tiger Oil 24th & Nob Hill	Post Interim Action/Construction: This project would fund the cleanup efforts at a site in a prime economic redevelopment area.	1	1	1	Yakima	220,500	220,500	15	The original project amount of \$1.5 million is split based on cleanup needs and recipient's spending plan (see Rank #32). This project represents one of four new RAG appropriations in Eastern Washington.
2	Pasco, Port of	Bulk fuel storage	Cleanup: Monitoring the in-situ treatment is underway with an existing grant. This project provides matching grant funds for "hot-spot" source removal.	1	1	1	Franklin	335,000	555,500	16	This project represents one of four new RAG appropriations in Eastern Washington.
3	Walla Walla, City of	Sudbury Road Landfill	Cleanup: This project provides matching grant funds to conduct additional remedial actions to complete cleanup.	1	1	1	Walla Walla	1,264,000	1,819,500	16	The original project amount of \$2.250 million is split based on cleanup needs at the site, recipient's spending plan and a reappropriated grant still available (see Rank #34). This project represents one of four new RAG appropriations in Eastern Washington.
4	Everett, Port of	Mill A	Investigation/Cleanup: This project provides additional matching grant funds for the on-going site investigation and cleanup activities - upland and sediment cleanup. The Interim Action work plan is complete and ready for public comment once funds are available. JARPA permits for sampling are in-hand. JARPA permits for dredging are under review by the Army Corps of Engineers. This is time critical.	1	1	1	Snohomish	3,375,000	5,194,500	38	The original project amount of \$7,001 million is split based on cleanup needs at various sites at the Port (see Ranks #5, #14, #15, #22).

Section 7038 Criteria											
Rank (9/2015)	Recipient	Project	Description	Acuity of Need	Readiness to Proceed	Cost Efficiency	Need to Ensure Geographic Distribution	Cost	Running Total	Leg. District	Notes
5	Everett, Port of	East Waterway	Investigation/Cleanup: This project provides additional matching grant funds for the on-going site investigation and cleanup activities - upland and sediment cleanup. The project will leverage cleanup funds in this important waterway -- involving the Port, Kimberly Clark, United States Navy, and the State. Cleanup: Implement cleanup action plan to complete cleanup of the K Ply site. This project is currently in construction.	1	1	1	Snohomish	500,000	5,694,500	38	The original project amount of \$7,001 million is split based on cleanup needs at various sites at the Port (see Ranks #4, #14, #15, #22).
6	Port Angeles, Port of K Ply		Cleanup: Implement cleanup action plan to complete cleanup of the K Ply site. This project is currently in construction.	1	1	1	Clallam	1,500,000	7,194,500	24	The project is currently in construction.
7	Skagit County Jail	Truck City Truck Stop	Investigation/Cleanup: This project provides funds to complete the investigation and cleanup of the historical Truck City Truck Stop site so a county jail can be constructed and operated at this location. The engineering design report is complete and permits are in hand.	1	1	1	Skagit	884,900	8,079,400	10	The original project amount of \$2.0 million is split based on cleanup needs and recipient's spending plan (see Rank #18). It was moved up the ranking because the project is in construction and to continue a 2013-15 grant obligation made to Skagit County in April 2015.
8	Site Assessment FY 2016		Site Assessment: Grant funding to local health departments or districts to perform site assessments for Ecology. The site assessments identify the locations of areas where hazardous substances are known or suspected; identify the hazardous substances that were released or are threatened to be released; gather evidence confirming a release or threatened release of hazardous substances; and describe the facilities containing the releases and their conditions. (See RCW 70.105D.030(2))	1	1	1	Statewide	1,082,000	9,161,400	Statewide	Ecology has lowered the total Site Hazard Assessment grant amount for 2015-17 to 2013-15 actual expenditures. This is the FY 2016 portion. See #11 for the FY 2017 portion.
9	Independent Remedial Action Grants		Cleanup: Grant funding to local governments who cleanup contaminated properties through Ecology's Voluntary Cleanup Program.	1	1	1	Statewide	1,500,000	10,661,400	Statewide	These grants are cost effective state investments in cleanup. Grants are limited to \$300,000 and "buy" a complete cleanup. Some projects can be complex that leverage multi-million dollar investments by the local government and other private parties.
10	Grant Management FY 2016		FY 2016 Fiscal Oversight: Funding for the administration of the remedial action grant program. Administration includes writing all grant agreements; reviewing and approving all invoices; and grant status reporting. 2.9 FTE are needed for grant administration, central budget office capital support and agency administrative overhead.	1	1	1	Statewide	310,000	10,971,400	Statewide	Ensuring prudent and careful financial management of state funds is critical and a core responsibility of the agency. This is the FY 2016 portion. See #12 for the FY 2017 portion.
11	Site Assessment FY 2017		Site Assessment: Grant funding to local health departments or districts to perform site assessments for Ecology. The site assessments identify the locations of areas where hazardous substances are known or suspected; identify the hazardous substances that were released or are threatened to be released; gather evidence confirming a release or threatened release of hazardous substances; and describe the facilities containing the releases and their conditions.	1	1	1	Statewide	1,082,000	12,053,400	Statewide	Ecology has lowered the total Site Hazard Assessment grant amount for 2015-17 to 2013-15 actual expenditures. This is the FY 2016 portion. See #8 for the FY 2016 portion.
12	Grant Management FY 2017		FY 2017 Fiscal Oversight: Funding for the administration of the remedial action grant program. Administration includes writing all grant agreements; reviewing and approving all invoices; and grant status reporting. 2.9 FTE are needed for grant administration, central budget office capital support and agency administrative overhead.	1	1	1	Statewide	310,000	12,363,400	Statewide	Ensuring prudent and careful financial management of state funds is critical and a core responsibility of the agency. This is the FY 2017 portion. See #10 for the FY 2016 portion.

Section 7038 Criteria											
Rank (9/2015)	Recipient	Project	Description	Acuity of Need	Readiness to Proceed	Cost Efficiency	Need to Ensure Geographic Distribution	Cost	Running Total	Leg. District	Notes
13	Bellingham, Port of	Harris Avenue Shipyard Site	Cleanup: This project would provide funds to continue cleanup activities at the Harris Ave Shipyard site. An agreed order amendment needs to be signed. The bid is ready for interim action.	1	1	1	Whatcom	6,000,000	18,363,400	40	This project was moved up the list because the interim action is ready to bid. It was also evaluated considering the Section 7038 Criteria for Acuity of Need regarding data about past spending patterns by a recipient organization or at a specific site. The Port of Bellingham has significant reappropriated grant funds available for cleanup investments in the 2015-17 biennium.
14	Everett, Port of	Everett Shipyard	Investigation/Cleanup: This project provides additional matching grant funds for completed cleanup activities - upland and sediment cleanup.	1	1	1	Snohomish	1,050,000	19,413,400	38	The original project amount of \$7,001 million is split based on cleanup needs at various sites at the Port (see Ranks #4, #5, #15, #22).
15	Everett, Port of	Baywood	Investigation/Cleanup: This project provides additional matching grant funds for the feasibility study stage.	1	1	1	Snohomish	1,400,000	20,813,400	38	The original project amount of \$7,001 million is split based on cleanup needs at various sites at the Port (see Ranks #4, #5, #14, #22).
16	Bothell, City of	City Bothell Crossroads, Bothell Landing, Bothell Paint & Decorating and Bothell Riverside sites	Interim Action/Cleanup Action Plan: This project provides matching grant funds for the on-going site investigation and cleanup activities at the City Bothell Crossroads, Bothell Landing, Bothell Paint & Decorating, and Bothell Riverside sites.	1	1	1	King	1,000,000	21,813,400	1	Recipient's spending plan (reappropriations and this new appropriation) does not reflect the schedule and expectations of Ecology for cleanup. The region continues to work with the local government on the cleanup plans at Bothell. The spending plan was reported over four years.
17	Bothell, City of	Bothell Service Center	Interim Action/Cleanup Action Plan: This project provides matching grant funds for the on-going site investigation and cleanup activities at the City of Bothell -- Bothell Service Center site.	1	1	1	King	1,700,000	23,513,400	1	Recipient's spending plan (reappropriations and this new appropriation) does not reflect the schedule and expectations of Ecology for cleanup. The region continues to work with the local government on the cleanup plans at Bothell. The spending plan was reported over four years.
18	Skagit County Jail	Truck City Truck Stop	Investigation/Cleanup: This project provides funds to complete the investigation and cleanup of the historical Truck City Truck Stop site so a county jail can be constructed and operated at this location.	1	1	1	Skagit	1,115,100	24,628,500	10	The original project amount of \$2.0 million is split based on cleanup needs and recipient's spending plan (see Rank #7). It was moved up the ranking because the project is in construction and to continue a 2013-15 grant obligation made to Skagit County in April 2015.
19	Bellingham, Port of	Georgia Pacific West Mill	Cleanup: This project would provide funds to continue cleanup activities at the GP West Mill site. Phase 1 work is scheduled to begin in Fall 2015.	1	1	1	Whatcom	4,000,000	28,628,500	42	The Port of Bellingham has significant reappropriated grant funds available for cleanup investments in the 2015-17 biennium.
20	Bellingham, Port of	Blaine Marina Tank Farm	Cleanup Action Plan: This project provides matching grant funds for the on-going site investigation and cleanup activities at the Port of Bellingham Blaine Marina Tank Farm site. This work involved both upland and in water cleanup activities. These additional funds would complete the cleanup project.	1	1	1	Whatcom	900,000	29,528,500	42	The Port of Bellingham has significant reappropriated grant funds available for cleanup investments in the 2015-17 biennium.
21	Tacoma, Port of	Arkema/Dunlap Mound	Cleanup Complete: This project provides matching funds to the port to complete the remedial investigation and feasibility study and complete an interim action to remove the remaining arsenic contaminated soil along the shoreline Hyebos Waterway at the Arkema Mound site.	1	1	1	Pierce	2,900,000	32,428,500	27	

Section 7038 Criteria											
Rank (9/2015)	Recipient	Project	Description	Acuity of Need	Readiness to Proceed	Cost Efficiency	Need to Ensure Geographic Distribution	Cost	Running Total	Leg. District	Notes
22	Everett, Port of	Ameron/Hulbert	Investigation/Cleanup: This project provides additional matching grant funds for the on-going site investigation and cleanup activities - upland and sediment cleanup. The cleanup action plan and consent decree are complete. The engineering design report doesn't need public comment because this project is a simpler dig and haul upland cleanup. Permits are not required and the project is ready to proceed. An important storm line replacement is part of the project. This is less critical than other Port of Everett projects.	1	1	1	Snohomish	676,000	33,104,500	38	The original project amount of \$7,001 million is split based on cleanup needs at various sites at the Port (see Ranks #4, #5, #14, #15).
23	Port Angeles, Port of	Western Port Angeles Harbor	Feasibility Study: This project provides matching grant funds for the Western Port Angeles Harbor site to conduct a remedial investigation/feasibility study for this contaminated sediments site.	1	1		Clallam	750,000	33,854,500	24	
24	Tacoma, Port of	Earley Business Ctr, Alexander Ave, Portac	Investigation: This project provides additional matching grant funds for the on-going site investigation and cleanup activities for multiple sites at the Port of Tacoma. Sites include the Earley Business Center (FS ID 9762715), Alexander Ave, Petroleum tank facilities (FS ID 1377), and Portac (FS ID 1215).	1	1		Pierce	800,000	34,654,500	27	
25	Tacoma, Port of	Kaiser Site	Cleanup: Additional cleanup costs for the Kaiser Site. The state will be reimbursing unanticipated costs the port incurred during the cleanup to address additional contamination at the site.	1	1		Pierce	2,300,000	36,954,500	27	
26	Integrated Planning Grants		Planning: Grant funding to develop plans to redevelop contaminated properties.		1	1	Statewide	1,500,000	38,454,500	Statewide	These grants are strategic investments helping local governments plan cleanups and develop partnerships.
27	Anacortes, Port of	Multisite Scott Paper Mill, Cap Sante Marine, Shell Tank Farm, Log Haul Out, Dakota Creek, Quiet Cove	Investigation/Cleanup: This project provides additional matching grant funds for the on-going site investigation and cleanup activities for multiple sites at the Port of Anacortes upland and sediment cleanup. Sites include former Scott Paper Mill (FSID 8122259; Cap Sante Marine (FSID 6753227); former Shell Tank Farm (FSID 4781157); Log Haul Out (FSID 21898438); Dakota Creek Shipyard (FSID 2670); Quiet Cove in Fidalgo Bay.		1		Skagit	3,000,000	41,454,500	40	
28	Olympia, Port of	Shipping berths in Budd Inlet	Cleanup: The project provides matching grant funds to begin sediment cleanup of Port of Olympia's shipping berths in Budd Inlet including design and permitting phases of the cleanup.		1		Thurston	6,250,000	47,704,500	22	Recipient is behind the proposed schedule for active construction and cleanup while resolving issues related to the investigation and agreed order with Ecology. This spending plan assumes the bulk of new grant funding will be spent during the 2017-19 biennium.
29	Bellingham, City of	RG Haley completion	Cleanup: This project would provide matching funds to complete the RG Haley upland and in-water sediment cleanup. The cleanup action plan and engineering design report are underway. The permits for in-water work are not in-hand and the city may only move forward with the upland portion of the project.		1		Whatcom	3,000,000	50,704,500	40	
30	Seattle, Port of	Lora Lake site	Cleanup Action Plan/Consent Decree: The project provides matching grant funds for upland and surface water cleanup at the Lora Lake site. This would funding would complete the project. Signatures on the consent decree are in process and the engineering design report is underway. This funding is primarily for the in-water portion of the project.		1		King	5,000,000	55,704,500	33	

Section 7038 Criteria											
Rank (9/2015)	Recipient	Project	Description	Acuity of Need	Readiness to Proceed	Cost Efficiency	Need to Ensure Geographic Distribution	Cost	Running Total	Leg. District	Notes
31	Areawide Ground Water		Investigation: Grant funding to local governments that investigate groundwater contaminated by hazardous substances from multiple sources. The purpose of these investigations is to identify the sources and facilitate the cleanup of the area-wide contamination.	1			Statewide	1,000,000	56,704,500	Statewide	
32	Yakima, City of	Tiger Oil 24th & Nob Hill	Post Interim Action/Construction: This project would fund the cleanup efforts at a site with significant free product in a prime economic redevelopment area.				Yakima	1,279,500	57,984,000	15	The original project amount of \$1.5 million is split based on cleanup needs and recipient's spending plan (see Rank #32). This project represents one of four new RAG appropriations in Eastern Washington.
33	Grant County	Ephrata Landfill	Cleanup: This project provides matching grant funds to conduct additional remedial actions to complete cleanup. Existing grants are available for 2015-17 estimated spending.				Grant	2,644,000	60,628,000	13	A reappropriated grant is still available and the recipient's spending plan does not anticipate needing this grant funding until 2017-19.
34	Walla Walla, City of	Sudbury Road Landfill	Cleanup: This project provides matching grant funds to conduct additional remedial actions to complete cleanup.				Walla Walla	986,000	61,614,000	16	The original project amount of \$2,250 million is split based on cleanup needs at the site, recipient's spending plan and a reappropriated grant still available (see Rank #3). This project represents one of four new RAG appropriations in Eastern Washington
35	Site Assessment		Site Assessment: Grant funding to local health departments or districts to perform site assessments for Ecology. The site assessments identify the locations of areas where hazardous substances are known or suspected; identify the hazardous substances that were released or are threatened to be released; gather evidence confirming a release or threatened release of hazardous substances; and describe the facilities containing the releases and their conditions.				Statewide	836,000	62,450,000	Statewide	Lowered Site Hazard Assessment grant amounts for 2015-17 to 2013-15 actual expenditures. This would not be granted in 2015-17.
							Sub-Total*	62,450,000			
							Enacted Budget Expenditure Rate	(31,875,000)			
							Less 2015-17 projected funding available	(10,971,400)			
							Bond backfill needed for 2015-17 expenditures	19,603,600			

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

Department of Ecology

ATTACHMENT C

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
Funding available for Cleanup Projects in 2015-17	\$ 18.4

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)
Bond backfill needed for 2015-17 expenditures	\$ 19.6
Cleanup Toxic Sites Puget Sound	\$ 22.6
Less future expenditures assumed in enacted budget	\$ (8.6)
less 2015-17 projected funding available	\$ (5.8)
Bond backfill needed for 2015-17 expenditures	\$ 8.2

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

<i>Dollars in millions</i>	2015-17 New 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
Total Cleanup Projects	\$ 98.0		\$ 18.4

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

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

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

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

Operating Activities Funded with Model Toxics Control Act Dollars Shifted from General Fund - State (Ongoing)

Purpose: Identifies operating activity-level details of **ongoing fund shifts** from General Fund - State (GF-S) to the Model Toxics Control Act (MTCA) accounts (State Toxics Control (STCA), Local Toxics Control (LTCA) the Environmental Legacy Stewardship (ELSA)) from the 2009-11 Biennium thru the 2015-17 Enacted Budget.

9/24/2015

ATTACHMENT D

Budget Level	Budget Item	Rec Sum	Account-Type	Agency Total
15-17 PL	G03 Air Quality & Shorelands Fund Shift	General Fund-State expenditures for the Department of Ecology's Air Quality program and the Shorelands and Environmental Assistance program are shifted to the State Toxics Control Account on an ongoing basis.	173-1 State Toxics Control - State	9,600,000
13-15 PL	02 Air Quality Fund Shift	Work within the Air Quality Program related to preventing unhealthy air and violations of federal air quality standards is shifted on an ongoing basis from the state general fund to the State Toxics Control Account (STCA).	173-1 State Toxics Control - State	5,130,000
13-15 PL	04 Fund Shift to Toxics	State general fund expenditures are shifted on an ongoing basis to the STCA for activities in the Air Quality, Water Quality, Environmental Assessment, Shorelands and Environmental Assistance, and Administration Programs.	173-1 State Toxics Control - State	24,000,000
11-13 PL	07 Continued Pollution Control Fund Shift	Continuing a budget change initiated in the 2010 supplemental operating budget, the General Fund-State portion of activities that support cleaning up polluted waters, controlling stormwater pollution, and preventing point source and non-point source pollution is shifted, on a one-time basis, to the State Toxics Control Account.	173-1 State Toxics Control - State	5,000,000
11-13 PL	CB Local Shoreline Grants Fund Shift	Base funding of \$4.5 million is shifted permanently from General Fund State to the Local Toxics Control Account for grants to local governments engaged in Shoreline Master Program updates.	174-1 Local Toxics Control	4,500,000
Notes:				
<p>1 Expenditures from the State and Local Toxics Control Accounts were subsequently partially shifted to ELSA (see 2013-15 Budget item 501). After realignment, net shifts from GF-S were: STCA \$35,044,261; ELSA \$13,185,739.</p> <p>2 See 2015-17 Biennium Budget Item A0 (Forest Practices Fund Exchange) Rec Sum - A portion of the state general fund support for the Forest Practices Program is shifted to the State Toxics Control Account on an ongoing basis.</p> <p>3 See 2009-11 Biennium Operating Budget Item HAD (Administration Fund Shift) Rec Sum - Administration expenses are shifted from the state general fund to the State Toxics Control Account.</p>				
				Total Ecology MTCA Fund Shifts¹
				DNR - Forest Practices 2015-17 173 Fund Shift²
				PSP - Administration 2009-11 173 Fund Shift³
				Grand Total = Ecology + Other Agencies
				48,230,000
				5,438,000
				170,000
				53,838,000

Capital Project Request

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Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/29/2015 4:03PM

Project Number: 30000542

Project Title: Cleanup Toxics Sites - Puget Sound

Description

Starting Fiscal Year: 2016

Project Class: Grant - Pass Through

Agency Priority: 2

Project Summary

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 Cleanup 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.

Project Description**What is the proposed project?**

As of July 2015, Ecology has identified about 250 contaminated sites awaiting cleanup, and roughly 640 sites in the process of being cleaned up near the Puget Sound basin and surrounding shoreline. These numbers change frequently as site information is updated with new contaminated sites being identified, sites moving through cleanup, and sites being cleaned up.

Work will be done through a combination of direct actions by the state, contributions from potentially liable parties, and interagency agreements with affected local governments, resource agencies, and tribes. Incentives will be used to speed cleanup and encourage cooperative cleanups. The funding will be applied to sites that are abandoned, have non-compliant owners, or where funds are needed to advance emergent cleanup needs. This includes sites adjacent to critical and sensitive habitats; upland sites contributing to ongoing aquatic contamination; and a limited number of sites throughout Western Washington, outside the Puget Sound basin, where an unanticipated cleanup investment or emergency response is needed.

These cleanups continue to advance work in seven priority bays that implement the objectives of the Puget Sound Action Agenda, an action plan established after the Legislature created the Puget Sound Partnership to reverse Puget Sound’s decline and restore it to health by 2020.

The enacted budget provided \$22.5 million of STCA appropriation for Cleanup Toxics Sites – Puget Sound in the 2015-17 biennium, assuming about \$8.6 million would be spent in the 2017-19 biennium. However, with the recent and significant drop in the price of oil and the correlated decrease in the September 2015 Hazardous Substance Tax (HST) forecast (MTCA’s major revenue source), revenue projections for all three MTCA accounts (STCA, Local Toxics Control Account, Environmental Legacy Stewardship Account) will fall short of the 2015-17 enacted budget expenditure assumptions.

Attachment A details the revised fund balance estimates for the 2015-17 and 2017-19 biennia for the September 2015 forecast (Ecology will update this attachment with the November 2015 and February 2016 HST forecasts.) Department of Revenue’s September 2015 HST forecast and actual collections dropped projected capacity in the three MTCA accounts by \$60 million. Implementing the 2015-17 enacted biennial budget will be extremely challenging. The last four months – May 2015 through September 2015 – have shown Ecology will be hard pressed to maintain positive cash balances in the three MTCA accounts and to make significant cleanup investments when declining oil prices are driving revenue volatility. Ecology will have to delay capital cleanup projects to maintain a positive cash balance and give the Governor and Legislature time to update the enacted 2015-17 budget to address this major change.

The enacted budget provided three tools for managing cash in the MTCA accounts in Section 7038 of the 2015-17 biennium

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capital budget bill (2EHB 1115).

1. Authorized transfers between the accounts to maintain positive account balances.
2. Authorized a loan from the Cleanup Settlement Account of up to \$13 million repaid with interest in three equal repayments in fiscal years 2018, 2019, and 2020.
3. Authorized Ecology to delay the start of cleanup projects.

Ecology and the Office of Financial Management, developed a MTCA Cash Management Plan (Plan) for the 2015-17 biennium. The Plan describes Ecology's use of these options to maintain positive cash balances in the accounts, including delaying several high-priority cleanup projects. All three tools are being used to help manage these funds.

Section 7038 (3) specifies that if further reductions are needed to maintain positive account balances after using the inter-fund transfer authority, Ecology is authorized to delay the start of cleanup projects based on acuity of need, readiness to proceed, cost-efficiency, or need to ensure geographic distribution. The Plan outlines the Toxics Cleanup Program's approach to implementing the legislative criteria. If Ecology uses this authority, we must submit a prioritized list of projects that may be delayed to the Office of Financial Management and the appropriate legislative fiscal committees. Attachment B includes a list of the prioritized Cleanup Toxic Sites – Puget Sound projects that will be delayed due to the MTCA revenue shortfall.

The process TCP used to prioritize grant projects included:

- 1) Applying Section 7038 criteria as detailed in the Plan.
- 2) Where groups of projects met all of the same Section 7038 criteria, projects were further ranked considering the original prioritized list Ecology submitted with the 2015-17 budget request.
- 3) Reviewing current information from Ecology's regional cleanup managers on the status of projects to further refine the prioritization. Considering, for instance, the construction stage of projects, schedule changes, whether permits are in hand, if projects are ready to bid, if projects leverage partnerships, and if projects have already incurred eligible costs.

In addition to the tools provided in Section 7038, Ecology is actively managing this revenue 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 SBCA dollars before MTCA in two non-cleanup projects- Centennial and Stormwater- that received both MTCA and SBCA funding in the 2015-17 biennium. The enacted budget already assumes \$121 million of MTCA expenditures will occur in the 2017-19 biennium. By spending SBCA 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.

When including the \$14 million SBCA adjustment as illustrated in Attachment C, Ecology estimates that a total of \$18.4 million will be available for cleanup projects in 2015-17, unless there is a legislative fix that fills the revenue shortfall. Apportioning the \$18.4 million across the four cleanup projects (Remedial Action Grants, Cleanup Toxic Sites- Puget Sound, Eastern Washington Clean Sites Initiative, and Leaking Tank Model Remedies) based on their overall appropriation leaves about \$5.8 million for new Cleanup Toxic Sites – Puget Sound projects in the 2015-17 biennium.

Ecology will use the \$5.8 million this biennium to maintain our contractual and environmental responsibility to the Environmental Protection Agency (EPA) and the community by funding those projects above the line in Attachment B. Ecology has legal and match requirements at EPA-led Superfund sites that must be funded to contain contamination risks these sites pose. Using the criteria from Section 7038, our top cleanup site priorities are meeting EPA legal requirements at places like Wyckoff and other Superfund sites, continuing work at the Lilyblad Petroleum site, and fulfilling commitments in the Lower Duwamish Waterway

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Description

for source control and cleanup.

If backfill funding is not provided for the projects that fall below the line, they will not be able to proceed as planned in the enacted budget. Ecology needs funding to maintain our contractual and environmental responsibility to EPA and the community. To manage immediate demands, Ecology will make the minimum required payments for EPA Superfunds sites, but EPA anticipates construction will increase in 2016, which will increase the state's cost to meet the 10 percent match requirement. In addition, fulfilling our remaining commitments in the Lower Duwamish Waterway for source control and cleanup is imperative to controlling releases into the waterway. Sites like RG Haley, Aladdin Plating, the final phase of Custom Plywood Dioxin Removal Interim Action, and Port Angeles source control also need funding this biennium to address the contamination threatening human health and the environment.

During the 2009-11 biennium, the Legislature managed some impacts to the state budget brought on by the Great Recession by transferring MTCA funding to the General Fund-State (GF-State). There were direct transfers, but the Legislature also preserved investments in cleanup. In the Remedial Action Grant Program, SBCA was used to backfill MTCA transfers. This provided funding for existing projects and invested in new Remedial Action grants during the economic downturn. Now, the economy is in a growth period – the very time when toxic site cleanup is affordable and interest in redevelopment is high. Ecology requests that \$8.2 million in SBCA funding be appropriated so important Puget Sound cleanup work is not delayed in the 2015-17 biennium. This amount represents the expected spending need in the current biennium for ready-to-proceed projects. It will be a zero-sum fund shift of dollars supporting capital budget appropriations already made, and will change the fund source for Puget Sound capital projects so they can begin work this biennium.

What opportunity or problem is driving this request?**The reason for the project:**

Cleaning up and protecting Puget Sound is critical to the social and economic well-being of Washington's citizens. Decades of industrial, municipal, and naturally occurring pollution have taken their toll on the condition and ecology of Puget Sound. Without intervention now, the condition of Puget Sound will most certainly continue to deteriorate. Although the state has made progress addressing the most highly contaminated areas of the Sound, other impacted areas are left unchecked. This request will help restore environmental and economic vitality to the state by focusing comprehensive cleanup on remaining contaminated sites impacting Puget Sound.

Dramatic reductions in actual revenue collections and projected future revenue are the reason this request is needed. Oil prices have dropped from a high of \$104 per barrel in August 2014* to a low of \$42 per barrel in August 2015. Forecasted HST revenue for the 2015-17 biennium decreased from \$326 million in the May 2015 forecast to \$276 million in the September 2015 forecast- a decrease of \$50 million. Actual revenue collections for May and June 2015 fell \$10 million short of the forecast, for a total revenue shortfall of \$60 million from the May 2015 forecast.

Also, the enacted budget appropriated \$121 million more than was projected in actual revenue from the May 2015 forecast assuming these dollars would be spent in future biennia. This has created an additional challenge in managing the shortfall. Finally, recent enacted budgets during the Great Recession have shifted \$53.8 million in funding for long-standing core environmental and public health protection work funded at Ecology and other agencies from the GF-State to MTCA accounts. These fund shifts are also contributing to the overall tight MTCA capacity. Providing SBCA backfill funding will allow these important projects to proceed.

*Source: U.S. Department of Energy Europe Brent Spot Price FOB

The effects of non-funding:

This request significantly contributes to cleanup progress in Washington, and there will be a direct, beneficial impact on human health and the environment by fully funding these cleanups. Without funding, these benefits would not be achieved. The economic, health, and environmental impacts would be largely felt in areas in or immediately adjacent to Puget Sound. Also,

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Description

the cleanup progress in Washington and Puget Sound would not advance at the accelerated rate expected by the Governor and Legislature.

Providing bond backfill funding will allow the state to meet its obligations to EPA and take direct state actions to speed cleanups and encourage cooperative cleanups. If this request is not funded, Ecology would have to delay important cleanup projects until sufficient MTCA revenue is available.

How does the project support the agency and statewide results?

This project supports two of Ecology's strategic priorities, Prevent and Reduce Toxic Threats and Protect and Restore Puget Sound, and also supports the Governor's Goal 3, Sustainable Energy and a Clean Environment by cleaning up and managing contaminated sites that pose threats to public health, the environment, groundwater, and fish and wildlife resources. Specifically:

Goal 3/Goal Topic/Sub-Topic: Sustainable Energy and a Clean Environment/Clean and Restored Environment *Keep our land, water and air clean/Healthy Lands*

Outcome Measure 3.1 – Increase the number of contaminated sites cleaned up by 17 percent from 5,815 to 6,803 by 2020.
Leading Indicator 3.1.a – Increase number of contaminated brownfield sites returned to economically productive use from 476 to 641 by 2016.

This request supports Puget Sound Action Agenda implementation through strategy C9 "Address and clean up cumulative water pollution impacts in Puget Sound," substrategy C9.2 "Clean up contaminated sites within and near Puget Sound." This request relates to the Puget Sound Action Agenda strategy and substrategy by reducing and controlling the sources of pollution. Ecology's work to cleanup areas contaminated with hazardous substances returns a polluted or degraded environment, as much as possible, to a healthy, self-sustaining ecosystem. Ecology's focused work in Puget Sound will be accomplished by making direct state investments, using contributions by potentially liable parties, and entering interagency agreements with affected local governments and resource agencies.

This request is essential to support the Governor's Goal 2, Prosperous Economy by investing funds to protect public health and natural resources.

This request is essential to support the Governor's budget and economic development priorities by investing funds to protect public health and natural resources. This request will also support Results Washington Goal 3, Sustainable Energy and a Clean Environment by cleaning up and managing contaminated sites that pose threats to public health, the environment, groundwater, and fish and wildlife resources. Specifically:

Goal 3/Goal Topic/Sub-Topic: Sustainable Energy and a Clean Environment/Clean and Restored Environment *Keep our land, water and air clean/Healthy Lands*

Outcome Measure 3.1 – Increase the number of contaminated sites cleaned up by 17 percent from 5,815 to 6,803 by 2020.
Leading Indicator 3.1.a – Increase number of contaminated brownfield sites returned to economically productive use from 476 to 641 by 2016.

This work also supports Goal 2, Prosperous Economy by creating and supporting jobs and making it possible to redevelop previously contaminated land to support economic growth in communities.

What are the specific benefits of this project?

This work will benefit Washingtonians by achieving the much sought after economic and social benefits of a clean, restored Puget Sound. Specifically, benefits of this request include:

– The contaminated sites listed in Attachment B will be cleaned up.

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- The public and environment will have reduced exposure to hazardous substances as work progresses at these sites.
- Economic development will move forward at abandoned sites.
- Long overdue Puget Sound cleanup and restoration will continue.

How will clients be affected and services change if this project is funded?

This request will continue ongoing efforts and will result in local cleanups and land redevelopment. Cleaning up contaminated property is usually integrated with economic development, habitat restoration, and public recreation projects. Most cleanup projects are the first phase of a larger community or economic redevelopment project where the cleanup site is the focal point of the project.

Are FTEs required to support this project?

No

How will the other state programs or units of government be affected if this project is funded?

These cleanup projects are part of the Puget Sound Initiative, which is a collaborative effort by local, tribal, state, and federal governments; business; agricultural and environmental interests; and the public to help restore and protect Puget Sound. The projects funded by this request may involve port districts and other local government agencies, whose cleanup projects are considered for eligibility under the Remedial Action Grant Program. Funding for that program is included in a related Capital Budget request Project 30000458.

What is the impact on the state operating budget?

None

Why is this the best option or alternative?

Ecology considered several alternatives for funding these projects. One alternative considered was increasing the HST by an inflationary factor. The HST has not been increased since voters approved it in 1988. But there may not be political support to increase the tax at this time. An alternative approach would be to pass a tax surcharge that turns on when certain revenue conditions are not met.

A second alternative would be to swap back some or all of the ongoing GF-State to MTCA fund shifts. During the last several years the Legislature has moved \$53.8 million in ongoing GF-State operating budget appropriations to the MTCA accounts to address the Great Recession (see Attachment D for a list of these fund shifts). Swapping back these operating expenditures from MTCA funding to GF-State would free up MTCA revenue.

Another alternative was to take a loan from the Cleanup Settlement Account greater than the \$13 million authorized in Section 7038 of 2EHB 1115. This alternative was not pursued because the provisions require pay-back with interest and we cannot be sure the borrowing MTCA account would be able to repay the loan obligation. Also, taking a higher loan amount could jeopardize Ecology's ten year plan for the work intended to be funded by the Cleanup Settlement Account.

If an alternative solution is not provided, Ecology will have to delay Cleanup Toxic Sites – Puget Sound projects until revenue recovers in the MTCA accounts. Funding a bond backfill is the best option because it will fund the capital budget as the Legislature originally intended and give Ecology the resources to implement the budget as originally passed.

What is the agency's proposed funding strategy for the project?

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Project Title: Cleanup Toxics Sites - Puget Sound

Description

Ecology's proposed funding strategy is to use \$8.2 million State Building Construction Account and reduce the State Toxics Control Account funding by the same amount so important toxic sites cleanup work can begin immediately, rather than having to delay projects until sufficient MTCA revenue is available.

The ten-year plan estimates are based on the funding for this project outlined in the 2012 Model Toxics Control Act Accounts Ten-Year Financing Plan (source of the original 2015-17 capital budget submittal by Ecology). Because the MTCA accounts have a projected negative \$9.5 million fund balance in the 2017-19 biennium without one dollar for new investments, Ecology has shifted the ten-year plan estimates forward one biennium. There is a need for toxic site cleanup during the 2017-19 biennium, and we will assess how much to request in the 2017-19 biennial budget with the June 2016 revenue forecast.

Project Type

Grants

Grant Recipient Organization: N/A

RCW that establishes grant: N/A

Application process used

N/A

Growth Management impacts

None

Funding

Acct Code	Account Title	Estimated Total	Expenditures		2015-17 Fiscal Period		
			Prior Biennium	Current Biennium	Reappropriations	New Appropriations	
057-1	State Bldg Constr-State	8,188,000				8,188,000	
173-1	State Toxics Control-State	95,983,000				14,312,000	
173-1	State Toxics Control-State						
19G-1	ELS Account-State						
Total		104,171,000	0	0	0	22,500,000	
		Future Fiscal Periods					
		2017-19	2019-21	2021-23	2023-25		
057-1	State Bldg Constr-State						
173-1	State Toxics Control-State		47,882,000	22,327,000	11,462,000		
173-1	State Toxics Control-State						
19G-1	ELS Account-State						
Total		0	47,882,000	22,327,000	11,462,000		

Operating Impacts

No Operating Impact

Expected Use of Bond/COP Proceeds

Agency No.	461	Agency Name	Department of Ecology
Contact Name:	Angie Wirkkala		
Phone:	360-407-7219	Fax:	
Fund(s) Number:	057/355	Fund Name:	State Building Construction Account/State Taxable Building Construction Account
Project Number:	30000542	Project Title:	Cleanup Toxic Sites – Puget Sound

1. Will any portion of the project or asset ever be owned by any entity other than the state or one of its agencies or departments? Yes No
2. Will any portion of the project or asset ever be leased to any entity other than the state or one of its agencies or departments? Yes No
3. Will any portion of the project or asset ever be managed or operated by any entity other than the state or one of its agencies or departments? Yes No
4. Does the project involve a public/private venture, or will any entity other than the state or one of its agencies or departments ever have a special priority or other right to use any portion of the project or asset to purchase or otherwise acquire any output of the project or asset such as electric power or water supply? Yes No
5. Will any portion of the Bond/COP proceeds be granted or transferred to nongovernmental entities or granted or transferred to other governmental entities which will use the grant for nongovernmental* purposes? Yes No
6. If you have answered "Yes" to any of the questions above, will your agency or any other state agency receive any payments from any entity, other than the state or one of its agencies or departments or any local government units, for the use of, or in connection with, the project or assets? Yes No
A small portion may be cost recovered, amount is unknown at this time.
7. Will any portion of the project or asset, or rights to any portion of the project or asset, ever be sold to any entity other than the state or one of its agencies or departments? Yes No
8. Will any portion of the Bond/COP proceeds be loaned to nongovernmental entities or loaned to other governmental entities that will use the loan for nongovernmental purposes? Yes No
9. Will any portion of the project or asset be used to perform sponsored research under an agreement with a nongovernmental person, such a business corporation or the federal government, including any federal department or agency? Yes No

***Nongovernmental purposes is defined in the Glossary and examples provided in Section 4.3 of the Capital Budget Instructions.**

- If the answer to any one of questions 1 through 5 is yes and answers to 6, 7, and 8 are no, request tax exempt funding.
- If the answer to any one of questions 1 through 5 is yes and 6 is yes, request taxable funding from Fund 355.
- If the answer to all of questions 1 through 6 are no and the answer to either question 7 or 8 is yes, request taxable funding from Fund 355.
- If the answer to question 9 is yes, please provide a detailed explanation of the terms of any and all of such sponsored research agreements.

Attach this form to your project in CBS. The Office of the State Treasurer, bond counsel, or the Office of Financial Management may review this form for any projects requested in the budget.



9/17/2015

Estimated Fund Balances for MTCA Related Accounts 2015-17 Enacted and 2017-19 Projection After September 2015 Forecast

ATTACHMENT A

Purpose: Provide projected ending fund balances in accounts related to the Model Toxics Control Act after beginning 2015-17 balances and September 2015 revenue forecast.

Assumptions: (1) Beginning 2015-17 Fund Balance and Reappropriations based on 2013-15 Phase 3 September 16, 2015. (2) 2015-17 based on Enacted budget expenditure assumptions provided by legislative staff. (3) 2017-19 Operating is CFL estimate and Capital is necessary unspent amounts from 2015-17.

		2015-17					2017-19				
		STCA	LTCA	ELSA	TOTAL	STCA	LTCA	ELSA	TOTAL		
Dollars in thousands											
1	BEGINNING FUND BALANCE	\$37,125	\$77,181	\$26,447	\$140,754	\$5,902	(\$18,009)	(\$43,869)	(\$55,976)		
2	REVENUE										
3	Hazardous Substance Tax (DOR September 2015)	\$150,136	\$117,964	\$7,715	\$275,815	\$156,800	\$123,200	\$83,989	\$363,989		
4	Ecology Revenue	\$11,253			\$11,253	\$11,253			\$11,253		
5	Total Revenue	\$161,389	\$117,964	\$7,715	\$287,068	\$168,053	\$123,200	\$83,989	\$375,242		
6	TRANSFERS										
7	Transfers	\$4,700	(\$69,400)	\$64,700	\$0				\$0		
8	OPERATING EXPENDITURES										
9	Ecology Operating	\$129,259	\$4,628	\$44,295	\$178,182	\$131,805	\$4,664	\$44,554	\$181,023		
10	Other Agency Operating	\$18,388		\$3,869	\$22,257	\$17,222		\$2,716	\$19,938		
11	Total Operating	\$147,647	\$4,628	\$48,164	\$200,439	\$149,027	\$4,664	\$47,270	\$200,961		
12	CAPITAL REAPPROPRIATIONS										
13	Ecology Reappropriations	\$32,834	\$125,823	\$153,924	\$312,581						
14	Enacted Budget Expenditure Assumptions	(\$3,000)	(\$19,339)	(\$34,048)	(\$56,387)	\$14,869	\$72,014	\$34,048	\$120,931		
15	Ecology Reappropriation Adjust for 13-15 Expend.	(\$8,968)	(\$23,881)	(\$26,444)	(\$59,293)						
16	Other Agency Reappropriation	\$1,118	\$1,194	\$395	\$2,707						
17	Other Agency Reappropriation Adjust for 13-15 Expend.		(\$44)	(\$116)	(\$161)						
18	Total Reappropriations	\$21,984	\$83,752	\$93,712	\$199,447	\$14,869	\$72,014	\$34,048	\$120,931		
19	CAPITAL NEW APPROPRIATIONS										
20	Ecology New Appropriation	\$38,550	\$108,050		\$146,600						
21	Enacted Budget Expenditure Assumptions	(\$11,869)	(\$52,675)		(\$64,544)						
22	Other Agency New Appropriation	\$1,000		\$856	\$1,856						
23	Total New Appropriations	\$27,681	\$55,375	\$856	\$83,912						
24	Total Capital	\$49,665	\$139,127	\$94,568	\$283,359	\$14,869	\$72,014	\$34,048	\$120,931		
25	ENDING FUND BALANCE										
26	Working Capital Reserve	(\$3,000)	(\$1,000)	(\$2,900)	(\$6,900)	(\$3,000)	(\$1,000)	(\$2,900)	(\$6,900)		
27	ENDING FUND BALANCE	\$2,902	(\$19,009)	(\$46,769)	(\$62,876)	\$7,059	\$27,513	(\$44,098)	(\$9,526)		

**Toxics Cleanup Program
2016 Supplemental Budget Request
Bond Backfill Proposal for Cleanup Toxics Sites - Puget Sound (30000542)**
As of: 9/24/2015

PURPOSE
1) Identify Cleanup Toxics Sites-Puget Sound projects appropriated in the 2015-17 Enacted Capital Budget that Ecology plans to fund with estimated cash resources in the Model Toxics Control Act (MTCOA) accounts for the 2015-17 biennium -- projects lightly shaded and above the line.
2) Detail Cleanup Toxics Sites-Puget Sound projects appropriated in the 2015-17 Enacted Capital Budget that cannot be funded because of insufficient cash resources -- unshaded projects and below the line.

Since the May 2015 revenue forecast, actual and projected revenue for the MTCOA accounts dropped by \$60 million, leaving a projected overall MTCOA 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 cleanup 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 MTCOA revenue in the 2015-17 biennium. This list represents cleanup projects appropriated in the enacted budget and is a plan for implementing the enacted 2015-17 budget based on the best information available to Ecology. The plan may change as more information becomes available.

APPLICATION OF SECTION 7038 ENACTED BUDGET CRITERIA

The 2015-17 enacted capital budget (2EHB 1115, Section 7038(3)) provided Ecology with criteria to use to identify delayed cleanup projects. The Toxics Cleanup Program reviewed each project in this table and ranked individual grants by:
1) Applying Section 7038 criteria as detailed in the 2015-17 Biennium Cash Management Plan for the Model Toxics Control Act Accounts. The criteria are:
> Acuity of Need - Projects were given a '1' in the table below if legally required; awaiting state reimbursement for past costs; steady flow of funding required for projects currently in construction; interim actions; or recipient organization past spending patterns.
> Readiness to Proceed - Projects were given a '1' in the table below if a contract is in place; local government approvals are complete; orders are final; stage of cleanup has reports and public comment complete; or permits are in hand.
> Cost Efficiency - Projects were given a '1' in the table below if existing investments will be lost or if state funding leverages other cleanup investments.
> Need to Ensure Geographic Distribution - This criteria is met across all four Toxic Cleanup Program capital projects (Remedial Action Grants, Cleanup Toxics Sites-Puget Sound, Eastern Washington Clean Sites Initiative, and Leaking Tank Model Remedies).
Project lists demonstrate geographic distribution throughout Washington by listing the individual grant or state-directed investment by county.

- 2) Where groups of projects met all of the same Section 7038 criteria, projects were further ranked considering the original prioritized list Ecology submitted with the 2015-17 budget request.
- 3) Reviewing current information from Ecology's regional cleanup managers on the status of projects to further refine the prioritization. Considering, for instance, the construction stage of projects, schedule changes, whether permits are in hand, if projects are ready to bid, if projects leverage partnerships, and if projects have already incurred eligible costs.

		Section 7038 Criteria									
Rank (9/2015)	Recipient	Project	Description	Acuity of Need	Readiness to Proceed	Cost Efficiency	Need to Ensure Geographic Distribution	Cost	Running Total	Leg. District	Notes
1	N/A Ecology wide cleanup	Wyckoff Treatment Plant	EPA legal commitment Superfund, O & M; Legal requirement. Ecology is operating the groundwater extraction and treatment plant per an EPA superfund contract obligation. Costs include sales tax on labor and 10% match for prior EPA operations and management costs.	1	1	1	Kitsap	\$ 780,000	\$ 780,000	23	This funds the first year of operations and maintenance. Reappropriations were used to fund the total year contracted amount of \$880,000. The original project amount of \$2.0 million is split (see Rank #2).
2	N/A Ecology wide cleanup	Wyckoff Treatment Plant	EPA legal commitment Superfund, O & M; Legal requirement. Ecology is operating the groundwater extraction and treatment plant per an EPA superfund contract obligation. Costs include sales tax on labor and 10% match for prior EPA operations and management costs.	1	1	1	Kitsap	\$ 1,220,000	\$ 2,000,000	23	This funds the second year of operations and maintenance. Reappropriations were used to fund the total year contracted amount of \$880,000. The original project amount of \$2.0 million is split (see Rank #1).
3	N/A Ecology wide cleanup	Well 12A	EPA legal commitment Superfund, O & M; Legal Requirement. 10% match Superfund state match at EPA-lead Superfund sites for the state share of remediation costs at the site.	1	1	1	Pierce	\$ 3,000	\$ 2,003,000	29	This funds the minimum interest and/or match obligation owed EPA. The original project amount of \$1.6 million is split (see Rank #1).
4	N/A Ecology wide cleanup	Wyckoff Soil and Groundwater	EPA legal commitment Superfund, O & M; Legal requirement. 10% Superfund state match at EPA-lead Superfund sites for the state share of upland remediation costs at the site.	1	1	1	Kitsap	\$ 200,000	\$ 2,203,000	23	This funds the minimum interest and/or match obligation owed EPA. The original project amount of \$1.0 million is split (see Rank #12).
5	N/A Ecology wide cleanup	Wyckoff East Harbor	EPA legal commitment Superfund, O & M; Legal requirement. 10% Superfund state match at EPA-lead Superfund sites for the state share of sediment/in-water remediation costs at the site.	1	1	1	Kitsap	\$ 3,000	\$ 2,206,000	23	This funds the minimum interest and/or match obligation owed EPA. The original project amount of \$65,000 is split (see Rank #13).

Section 7038 Criteria											
Rank (9/2015)	Recipient	Project	Description	Acuity of Need	Readiness to Proceed	Cost Efficiency	Need to Ensure Geographic Distribution	Cost	Running Total	Leg. District	Notes
6	N/A Ecology wide cleanup	American Crossarm	EPA required O & M: EPA Superfund operations and maintenance.	1	1	1	Lewis	\$ 12,000	\$ 2,218,000	20	
7	N/A Ecology wide cleanup	Frontier Hardchrome	EPA required O & M: EPA Superfund operations and maintenance.	1	1	1	Clark	\$ 35,000	\$ 2,253,000	49	
8	N/A Ecology wide cleanup	Lakewood Ponders	EPA required O & M: EPA Superfund operations and maintenance.	1	1	1	Pierce	\$ 25,000	\$ 2,278,000	29	
9	N/A Ecology wide cleanup	Lilyblad	O & M/Construction: Continue cleanup activities at the Lilyblad Petroleum site in Tacoma. The project funding would support partial implementation of the cleanup action plan. Also, it would fund the dual phase extraction treatment on part of the Lilyblad site to control contaminated groundwater flow towards the Blair Waterway.	1	1	1	Pierce	\$ 336,000	\$ 2,614,000	27	Reappropriations are available to fund a portion of the first year contract. The original project amount of \$913,000 is split (see Rank #14).
10	N/A Ecology wide cleanup	Lower Duwamish Waterway Source Control and Cleanup	FS/Design/Construction: This project provides source control actions to locate and stop or reduce releases of pollution to waterway sediments and to keep sediments from becoming polluted again after being cleaned up.	1	1	1	King	\$ 3,179,000	\$ 5,793,000	34	This continues Ecology's commitment to source control/removal in the waterway to prevent recontamination. The original project amount of \$4.0 million is split (see Rank #15).
11	N/A Ecology wide cleanup	Well 12A	EPA legal commitment Superfund, O & M: Legal Requirement. 10% match Superfund state match at EPA-lead Superfund sites for the state share of remediation costs at the site.	1	1	1	Pierce	\$ 1,597,000	\$ 7,390,000	29	The original project amount of \$1.6 million is split (see Rank #3).
12	N/A Ecology wide cleanup	Wyckoff Soil and Groundwater	EPA legal commitment Superfund, O & M: Legal requirement. 10% Superfund state match at EPA-lead Superfund sites for the state share of upland remediation costs at the site.	1	1	1	Kitsap	\$ 800,000	\$ 8,190,000	23	This funds the minimum interest and/or match obligation owed EPA. The original project amount of \$1.0 million is split (see Rank #4).
13	N/A Ecology wide cleanup	Wyckoff East Harbor	EPA legal commitment Superfund, O & M: Legal requirement. 10% Superfund state match at EPA-lead Superfund sites for the state share of sediment/in-water remediation costs at the site.	1	1	1	Kitsap	\$ 62,000	\$ 8,252,000	23	This funds the minimum interest and/or match obligation owed EPA. The original project amount of \$65,000 is split (see Rank #5).
14	N/A Ecology wide cleanup	Lilyblad	O & M/Construction: Continue cleanup activities at the Lilyblad Petroleum site in Tacoma. The project funding would support partial implementation of the cleanup action plan. Also, it would fund the dual phase extraction treatment on part of the Lilyblad site to control contaminated groundwater flow towards the Blair Waterway.	1	1	1	Pierce	\$ 577,000	\$ 8,829,000	27	Reappropriations are available to fund a portion of the first year contract. The original project amount of \$913,000 is split (see Rank #9).
15	N/A Ecology wide cleanup	Lower Duwamish Waterway Source Control and Cleanup	FS/Design/Construction: This project provides source control actions to locate and stop or reduce releases of pollution to waterway sediments and to keep sediments from becoming polluted again after being cleaned up.	1	1	1	King	\$ 821,000	\$ 9,650,000	34	This continues Ecology's commitment to source control/removal in the waterway to prevent recontamination. The original project amount of \$4.0 million is split (see Rank #10).
16	N/A Ecology wide cleanup	Aladdin Platting	Implement cleanup: This project would implement the cleanup action plan and complete cleanup of the Aladdin Platting site.	1	1	1	Pierce	\$ 300,000	\$ 9,950,000	27	
17	N/A Ecology wide cleanup	RG Haley Remedial Action	Design/construction: The project would provide additional funding to complete the removal of contaminated soils and enhance attenuation treatment of groundwater at the site including in-water sediment and upland park facility remediation.	1	1	1	Whatcom	\$ 1,200,000	\$ 11,150,000	40	

		Section 7038 Criteria										
Rank (9/2015)	Recipient	Project	Description	Acuity of Need	Readiness to Proceed	Cost Efficiency	Need to Ensure Geographic Distribution	Cost	Running Total	Leg. District	Notes	
18	N/A Ecology wide cleanup	Port Angeles Municipal Landfill	Legislatively directed (construction/waste removal): The Port Angeles Landfill was the principal waste disposal facility serving residential and industrial customers in the City of Port Angeles and surrounding areas of Clallam County for almost sixty years, starting about 1947. The East 304 Cell area is located adjacent to the Strait of Juan de Fuca at the top of an eroding feeder bluff. The face of the bluff has receded to within about 10 horizontal feet of the waste body in the East 304 Cell. The city operated a more modern disposal cell, located several hundred yards landward of the East 304 Cell, from the early 1990s until 2006. The city's overall project was started in 2014, and is planned to relocate about 310,000 cubic yards of waste from the East 304 Cell area to the more modern 351 Cell, thereby providing about twenty-five years of additional protection from the shoreline's natural movement inland. This request will fund removal of the final volume of the waste from the East 304 Cell area, and the reclosure of the 351 Cell.	1	1	1	Clallam	\$ 7,000,000	\$ 18,150,000	24		
19	N/A Ecology wide cleanup	Custom Plywood Dioxin Removal Interim Action-Final Phase	R/RS, CAP, design: Phase III. Precedent setting action for Ecology will fund the phase III interim action plan and construction -- thin layer capping of sediment.	1			Skagit	\$ 3,500,000	\$ 21,650,000	40		
20	N/A Ecology wide cleanup	Port Angeles Harbor	WH source issues: This project will provide additional funding for source control work in Port Angeles Harbor.				Clallam	\$ 900,000	\$ 22,550,000	24		
								Total 2015-17 Appropriation	\$ 22,550,000			
								Enacted Budget Expenditure Rate	\$ (8,569,000)			
								Less 2015-17 Projected Funding	\$ (5,793,000)			
								Bond Backfill Needed for 2015-17	\$ 8,188,000			

Department of Ecology

ATTACHMENT C

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
Funding available for Cleanup Projects in 2015-17	\$ 18.4

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)
Bond backfill needed for 2015-17 expenditures	\$ 19.6

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

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

<i>Dollars in millions</i>	2015-17 New 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
Total Cleanup Projects	\$ 98.0		\$ 18.4

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

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

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

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

Operating Activities Funded with Model Toxics Control Act Dollars Shifted from General Fund - State (Ongoing)

Purpose: Identifies operating activity-level details of **ongoing fund shifts** from General Fund - State (GF-S) to the Model Toxics Control Act (MTCA) accounts (State Toxics Control (STCA), Local Toxics Control (LTCA) the Environmental Legacy Stewardship (ELSA)) from the 2009-11 Biennium thru the 2015-17 Enacted Budget.

9/24/2015

ATTACHMENT D

Budget Level	Budget Item	Rec Sum	Account-Type	Agency Total
15-17 PL	G03 Air Quality & Shorelands Fund Shift	General Fund-State expenditures for the Department of Ecology's Air Quality program and the Shorelands and Environmental Assistance program are shifted to the State Toxics Control Account on an ongoing basis.	173-1 State Toxics Control - State	9,600,000
13-15 PL	02 Air Quality Fund Shift	Work within the Air Quality Program related to preventing unhealthy air and violations of federal air quality standards is shifted on an ongoing basis from the state general fund to the State Toxics Control Account (STCA).	173-1 State Toxics Control - State	5,130,000
13-15 PL	04 Fund Shift to Toxics	State general fund expenditures are shifted on an ongoing basis to the STCA for activities in the Air Quality, Water Quality, Environmental Assessment, Shorelands and Environmental Assistance, and Administration Programs.	173-1 State Toxics Control - State	24,000,000
11-13 PL	07 Continued Pollution Control Fund Shift	Continuing a budget change initiated in the 2010 supplemental operating budget, the General Fund-State portion of activities that support cleaning up polluted waters, controlling stormwater pollution, and preventing point source and non-point source pollution is shifted, on a one-time basis, to the State Toxics Control Account.	173-1 State Toxics Control - State	5,000,000
11-13 PL	CB Local Shoreline Grants Fund Shift	Base funding of \$4.5 million is shifted permanently from General Fund State to the Local Toxics Control Account for grants to local governments engaged in Shoreline Master Program updates.	174-1 Local Toxics Control	4,500,000
Notes:	<p>1 Expenditures from the State and Local Toxics Control Accounts were subsequently partially shifted to ELSA (see 2013-15 Budget item 501). After realignment, net shifts from GF-S were: STCA \$35,044,261; ELSA \$13,185,739.</p> <p>2 See 2015-17 Biennium Budget Item A0 (Forest Practices Fund Exchange) Rec Sum - A portion of the state general fund support for the Forest Practices Program is shifted to the State Toxics Control Account on an ongoing basis.</p> <p>3 See 2009-11 Biennium Operating Budget Item HAD (Administration Fund Shift) Rec Sum - Administration expenses are shifted from the state general fund to the State Toxics Control Account.</p>			
				Total Ecology MTCA Fund Shifts¹
				DNR - Forest Practices 2015-17 173 Fund Shift²
				PSP - Administration 2009-11 173 Fund Shift³
				Grand Total = Ecology + Other Agencies
				48,230,000
				5,438,000
				170,000
				53,838,000

Capital Project Request

2015-17 Biennium

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Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/29/2015 4:17PM

Project Number: 30000432

Project Title: Eastern Washington Clean Sites Initiative

Description

Starting Fiscal Year: 2016

Project Class: Grant - Pass Through

Agency Priority: 3

Project Summary

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 State Toxics Control Account (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 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 Eastern Washington projects. Ecology requests State Building Construction Account (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.

Project Description**What is the proposed project?**

Eastern Washington Clean Sites Initiative funds remediation activities on contaminated sites in Eastern Washington. By focusing resources directly to the communities east of the Cascade Mountains, Ecology will have the resources to fund cleanup work related to metals contamination, leaking underground storage tanks, landfills, salvage yards, and wood treatment facilities. The funds will be used to pay for cleanup at contaminated sites where the responsible party (land user, facility operator, or property owner) is either unwilling or unable to pay costs related to the cleanup activities. Ecology will cost recover cleanup costs where possible.

The enacted budget provided \$11 million of STCA appropriation for Eastern Washington Clean Sites Initiative in the 2015-17 biennium, assuming about \$3.3 million would be spent in the 2017-19 biennium. However, with the recent and significant drop in the price of oil and the correlated decrease in the September 2015 Hazardous Substance Tax (HST) forecast (MTCA's major revenue source), revenue projections for all three MTCA accounts (STCA, Local Toxics Control Account, Environmental Legacy Stewardship Account) will fall short of the 2015-17 enacted budget expenditure assumptions.

Attachment A details the revised fund balance estimates for the 2015-17 and 2017-19 biennia for the September 2015 forecast (Ecology will update this attachment with the November 2015 and February 2016 HST forecasts.) Department of Revenue's September 2015 HST forecast and actual collections dropped projected capacity in the three MTCA accounts by \$60 million. Implementing the 2015-17 enacted biennial budget will be extremely challenging. The last four months – May 2015 through September 2015 – have shown Ecology will be hard pressed to maintain positive cash balances in the three MTCA accounts and to make significant cleanup investments when declining oil prices are driving revenue volatility. Ecology will have to delay capital cleanup projects to maintain a positive cash balance and give the Governor and Legislature time to update the enacted 2015-17 budget to address this major change.

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 a loan from the Cleanup Settlement Account of up to \$13 million repaid with interest in three equal repayments in fiscal years 2018, 2019, and 2020.

Capital Project Request

2015-17 Biennium

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Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/29/2015 4:17PM

Project Number: 30000432

Project Title: Eastern Washington Clean Sites Initiative

Description

3. Authorized Ecology to delay the start of cleanup projects.

Ecology and the Office of Financial Management, developed a MTCA Cash Management Plan (Plan) for the 2015-17 biennium. The Plan describes Ecology's use of these options to maintain positive cash balances in the accounts, including delaying several high-priority cleanup projects. All three tools are being used to help manage these funds.

Section 7038 (3) specifies that if further reductions are needed to maintain positive account balances after using the inter-fund transfer authority, Ecology is authorized to delay the start of clean-up projects based on acuity of need, readiness to proceed, cost-efficiency, or need to ensure geographic distribution. The Plan outlines the Toxics Cleanup Program's approach to implementing the legislative criteria. If Ecology uses this authority, we must submit a prioritized list of projects that may be delayed to the Office of Financial Management and the appropriate legislative fiscal committees. Attachment B includes a list of the prioritized Eastern Washington Clean Sites Initiative projects that will be delayed due to the MTCA revenue shortfall.

The process TCP used to prioritize grant projects included:

1) Applying Section 7038 criteria as detailed in the Plan.

2) Where groups of projects met all of the same Section 7038 criteria, projects were further ranked considering the original prioritized list Ecology submitted with the 2015-17 budget request.

3) Reviewing current information from Ecology's regional cleanup managers on the status of projects to further refine the prioritization. Considering, for instance, the construction stage of projects, schedule changes, whether permits are in hand, if projects are ready to bid, if projects leverage partnerships, and if projects have already incurred eligible costs.

In addition to the tools provided in Section 7038, Ecology is actively managing this revenue 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. The agency is also closely screening MTCA-supported operating budget spending.

Ecology will also spend SBCA dollars before MTCA in two non-cleanup projects- Centennial and Stormwater- that received both MTCA and SBCA funding in the 2015-17 biennium. The enacted budget already assumes \$121 million of MTCA expenditures will occur in the 2017-19 biennium. By spending SBCA 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.

When including the \$14 million SBCA adjustment as illustrated in Attachment C, Ecology estimates that a total of \$18.4 million will be available for cleanup projects in 2015-17, unless there is a legislative fix that fills the revenue shortfall. Apportioning the \$18.4 million across the four cleanup projects (Remedial Action Grants, Cleanup Toxic Sites- Puget Sound, Eastern Washington Clean Sites Initiative, and Leaking Tank Model Remedies) based on their overall appropriation leaves about \$1.3 million for new Eastern Washington Clean Sites Initiative projects in the 2015-17 biennium.

Ecology will use the \$1.3 million this biennium to continue important work on cleanup sites in active construction and smaller communities by funding those projects above the line in Attachment B. Using the criteria from Section 7038, our top cleanup site priorities are ongoing monitoring of groundwater treatment for effectiveness, operations and maintenance of treatment systems, and contaminated soil, wood debris and hazardous waste removal.

If backfill funding is not provided for the projects that fall below the line, they will not be able to proceed as planned in the enacted budget. Contamination will remain in these areas leaving potential threats to human health and the environment and hindering opportunities for investments in redevelopment. The first project below the funding line, Marshall Landfill, is the largest project on the list at \$5.4 million. Construction of an engineered cap and recontouring of the facility will control the contamination caused by this landfill. Without backfill funding, other projects delayed include completing cleanups to bring them to "no further action" status, and early remedial investigation and study at more than 10 sites across Eastern Washington.

Capital Project Request

2015-17 Biennium

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Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/29/2015 4:17PM

Project Number: 30000432

Project Title: Eastern Washington Clean Sites Initiative

Description

During the 2009-11 biennium, the Legislature managed some impacts to the state budget brought on by the Great Recession by transferring MTCA funding to the General Fund-State (GF-State). There were direct transfers, but the Legislature also preserved investments in cleanup. In the Remedial Action Grant Program, SBCA was used to backfill MTCA transfers. This provided funding for existing projects and invested in new Remedial Action grants during the economic downturn. Now, the economy is in a growth period – the very time when toxic site cleanup is affordable and interest in redevelopment is high. Ecology requests that \$6.4 million in SBCA funding be appropriated so important cleanup work is not delayed in the 2015-17 biennium. This amount represents the expected spending need in the current biennium for ready-to-proceed projects. It will be a zero-sum fund shift of dollars supporting capital budget appropriations already made, and will change the fund source for Eastern Washington capital projects so that they can begin work this biennium.

What opportunity or problem is driving this request?**The reason for the project:**

This request addresses the toxics cleanup needs of contaminated sites in Eastern Washington. Other capital budget funds for toxic cleanup activities have been directed to sites within the Puget Sound basin. This funding will allow Ecology to continue to focus on cleaning up contaminated sites in Eastern Washington. These cleanups protect public and environmental health, create jobs, and promote economic redevelopment.

Dramatic reductions in actual revenue collections and projected future revenue are the reason this request is needed. Oil prices have dropped from a high of \$104 per barrel in August 2014* to a low of \$42 per barrel in August 2015. Forecasted HST revenue for the 2015-17 biennium decreased from \$326 million in the May 2015 forecast to \$276 million in the September 2015 forecast- a decrease of \$50 million. Actual revenue collections for May and June 2015 fell \$10 million short of the forecast, for a total revenue shortfall of \$60 million from the May 2015 forecast.

Also, the enacted budget appropriated \$121 million more than was projected in actual revenue from the May 2015 forecast assuming these dollars would be spent in future biennia. This has created an additional challenge in managing the shortfall. Finally, recent enacted budgets during the Great Recession have shifted \$53.8 million in funding for long-standing core environmental and public health protection work funded at Ecology and other agencies from the GF-State to MTCA accounts. These fund shifts are also contributing to the overall tight MTCA capacity. Providing SBCA backfill funding will allow these important projects to proceed.

*Source: U.S. Department of Energy Europe Brent Spot Price FOB

The effects of non-funding:

If this request is not funded, ongoing Eastern Washington cleanup projects would not be completed and new projects would not be started. Eastern Washington cleanup work would be underfunded; particularly if investments continue at cleanup sites in and around Puget Sound. Communities in Eastern Washington would continue to be impacted by hazardous substances and degraded water resources.

Ecology would fall short of its strategy to have a statewide cleanup program and job creation/retention in the private sector supported by work on these cleanups would be diminished.

Providing bond backfill funding will allow the state to continue direct cleanup investments in Eastern Washington. If this proposal is not funded, Ecology will have to delay important cleanup projects until sufficient MTCA revenue is available.

How does the project support the agency and statewide results?

This project is essential to supporting Ecology's strategic priority to Prevent and Reduce Toxic Threats by supporting work to clean up contaminated sites and support economic redevelopment.

Capital Project Request

2015-17 Biennium

*

Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/29/2015 4:17PM

Project Number: 30000432

Project Title: Eastern Washington Clean Sites Initiative

Description

This request is essential to support the Governor's budget and economic development priorities by investing funds to protect public health and natural resources. This request will also support Results Washington Goal 3, Sustainable Energy and a Clean Environment by cleaning up and managing contaminated sites. Specifically:

Goal 3, Sustainable Energy and A Clean Environment Topic/Sub-Topic: Sustainable and Clean Energy and Clean and Restored Environment/Healthy Lands.

Outcome measure 3.1 – Increase the number of contaminated sites cleaned up by 17 percent from 5,815 to 6,803 by 2020.

Leading Indicator 3.1.a – Increase number of contaminated brownfield sites returned to economically productive use from 476 to 641 by 2016.

This work also supports Goal 2, Prosperous Economy by creating and supporting jobs and making it possible to redevelop previously contaminated land to support economic growth in communities.

What are the specific benefits of this project?

Cleaning up contaminated sites in Eastern Washington will yield the following benefits:

- Cleanup of the toxic contaminated sites listed in Attachment B.
- Reduce exposure of hazardous substances to the environment and public as work progresses on these sites.
- Economic development as abandoned sites move forward through the cleanup process.

Cleaning up contaminated property is usually integrated with economic development, habitat restoration, and public recreation projects. Most cleanup projects are the first phase of a larger community or economic redevelopment project where the cleanup site is the focal point of the project.

How will clients be affected and services change if this project is funded?

This project will allow Ecology to focus resources on contaminated sites in Eastern Washington, reducing exposure of hazardous substances to the environment and public. The number of contaminated sites cleaned up will increase, resulting in less public and environmental exposure to hazardous substances.

Are FTEs required to support this project?

No

How will the other state programs or units of government be affected if this project is funded?

Local governments will be positively affected as contaminated sites are returned to use benefiting the local economy.

What is the impact on the state operating budget?

None

Why is this the best option or alternative?

Ecology considered several alternatives for funding these projects. One alternative considered was increasing the HST by an inflationary factor. The HST has not been increased since voters approved it in 1988. But there may not be political support to

Capital Project Request

2015-17 Biennium

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Version: S1 2016 Supplemental

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Description

increase the tax at this time. An alternative approach would be to pass a tax surcharge that turns on when certain revenue conditions are not met.

A second alternative would be to swap back some or all of the ongoing GF-State to MTCA fund shifts. During the last several years the Legislature has moved \$53.8 million in ongoing GF-State operating budget appropriations to the MTCA accounts to address the Great Recession (see Attachment D for a list of these fund shifts). Swapping back these operating expenditures from MTCA funding to GF-State would free up MTCA revenue.

Another alternative was to take a loan from the Cleanup Settlement Account greater than the \$13 million authorized in Section 7038 of 2EHB 1115. This alternative was not pursued because the provisions require pay-back with interest and we cannot be sure the borrowing MTCA account would be able to repay the loan obligation. Also, taking a higher loan amount could jeopardize Ecology's ten year plan for the work intended to be funded by the Cleanup Settlement Account.

If an alternative solution is not provided, Ecology will have to delay Eastern Washington Clean Sites Initiative projects until revenue recovers in the MTCA accounts. Funding a bond backfill is the best option because it will fund the capital budget as the Legislature originally intended and give Ecology the resources to implement the budget as originally passed.

What is the agency's proposed funding strategy for the project?

Ecology's proposed funding strategy is to use \$6.4 million State Building Construction Account and reduce the State Toxics Control Account funding by the same amount so important toxic sites cleanup work can begin immediately, rather than having to delay projects until sufficient MTCA revenue is available

The ten-year plan estimates are based on the funding for this project outlined in the 2012 Model Toxics Control Act Accounts Ten-Year Financing Plan (source of the original 2015-17 capital budget submittal by Ecology). Because the MTCA accounts have a projected negative \$9.5 million fund balance in the 2017-19 biennium without one dollar for new investments, Ecology has shifted the ten-year plan estimates forward one biennium. There is a need for toxic site cleanup during the 2017-19 biennium, and we will assess how much to request in the 2017-19 biennial budget with the June 2016 revenue forecast.

Project Type

Grants

Grant Recipient Organization: N/A

RCW that establishes grant: N/A

Application process used

N/A

Growth Management impacts

N/A

Funding

Acct Code	Account Title	Estimated Total	Expenditures		2015-17 Fiscal Period	
			Prior Biennium	Current Biennium	Reapprops	New Approps
057-1	State Bldg Constr-State	6,440,000				6,440,000
173-1	State Toxics Control-State	14,733,000				4,560,000
173-1	State Toxics Control-State					
Total		21,173,000	0	0	0	11,000,000

Future Fiscal Periods

461 - Department of Ecology
Capital Project Request

2015-17 Biennium

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Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/29/2015 4:17PM

Project Number: 30000432

Project Title: Eastern Washington Clean Sites Initiative

Funding				
	<u>2017-19</u>	<u>2019-21</u>	<u>2021-23</u>	<u>2023-25</u>
057-1 State Bldg Constr-State				
173-1 State Toxics Control-State		2,638,000	3,936,000	3,599,000
173-1 State Toxics Control-State				
Total	0	2,638,000	3,936,000	3,599,000

Operating Impacts

No Operating Impact

Expected Use of Bond/COP Proceeds

Agency No.	461	Agency Name	Department of Ecology
Contact Name:	Angie Wirkkala		
Phone:	360-407-7219	Fax:	
Fund(s) Number:	057/355	Fund Name:	State Building Construction Account/State Taxable Building Construction Account
Project Number:	30000342	Project Title:	Eastern Washington Clean Sites Initiative

1. Will any portion of the project or asset ever be owned by any entity other than the state or one of its agencies or departments? Yes No
2. Will any portion of the project or asset ever be leased to any entity other than the state or one of its agencies or departments? Yes No
3. Will any portion of the project or asset ever be managed or operated by any entity other than the state or one of its agencies or departments? Yes No
4. Does the project involve a public/private venture, or will any entity other than the state or one of its agencies or departments ever have a special priority or other right to use any portion of the project or asset to purchase or otherwise acquire any output of the project or asset such as electric power or water supply? Yes No
5. Will any portion of the Bond/COP proceeds be granted or transferred to nongovernmental entities or granted or transferred to other governmental entities which will use the grant for nongovernmental* purposes? Yes No
6. If you have answered "Yes" to any of the questions above, will your agency or any other state agency receive any payments from any entity, other than the state or one of its agencies or departments or any local government units, for the use of, or in connection with, the project or assets? Yes No
A small portion may be cost recovered, amount is unknown at this time.
7. Will any portion of the project or asset, or rights to any portion of the project or asset, ever be sold to any entity other than the state or one of its agencies or departments? Yes No
8. Will any portion of the Bond/COP proceeds be loaned to nongovernmental entities or loaned to other governmental entities that will use the loan for nongovernmental purposes? Yes No
9. Will any portion of the project or asset be used to perform sponsored research under an agreement with a nongovernmental person, such a business corporation or the federal government, including any federal department or agency? Yes No

***Nongovernmental purposes is defined in the Glossary and examples provided in Section 4.3 of the Capital Budget Instructions.**

- If the answer to any one of questions 1 through 5 is yes and answers to 6, 7, and 8 are no, request tax exempt funding.
- If the answer to any one of questions 1 through 5 is yes and 6 is yes, request taxable funding from Fund 355.
- If the answer to all of questions 1 through 6 are no and the answer to either question 7 or 8 is yes, request taxable funding from Fund 355.
- If the answer to question 9 is yes, please provide a detailed explanation of the terms of any and all of such sponsored research agreements.

Attach this form to your project in CBS. The Office of the State Treasurer, bond counsel, or the Office of Financial Management may review this form for any projects requested in the budget.



9/17/2015

Estimated Fund Balances for MTCA Related Accounts 2015-17 Enacted and 2017-19 Projection After September 2015 Forecast

ATTACHMENT A

Purpose: Provide projected ending fund balances in accounts related to the Model Toxics Control Act after beginning 2015-17 balances and September 2015 revenue forecast.

Assumptions: (1) Beginning 2015-17 Fund Balance and Reappropriations based on 2013-15 Phase 3 September 16, 2015. (2) 2015-17 based on Enacted budget expenditure assumptions provided by legislative staff. (3) 2017-19 Operating is CFL estimate and Capital is necessary unspent amounts from 2015-17.

		2015-17					2017-19				
		STCA	LTCA	ELSA	TOTAL	STCA	LTCA	ELSA	TOTAL		
Dollars in thousands											
1	BEGINNING FUND BALANCE	\$37,125	\$77,181	\$26,447	\$140,754	\$5,902	(\$18,009)	(\$43,869)	(\$55,976)		
2	REVENUE										
3	Hazardous Substance Tax (DOR September 2015)	\$150,136	\$117,964	\$7,715	\$275,815	\$156,800	\$123,200	\$83,989	\$363,989		
4	Ecology Revenue	\$11,253			\$11,253	\$11,253			\$11,253		
5	Total Revenue	\$161,389	\$117,964	\$7,715	\$287,068	\$168,053	\$123,200	\$83,989	\$375,242		
6	TRANSFERS										
7	Transfers	\$4,700	(\$69,400)	\$64,700	\$0				\$0		
8	OPERATING EXPENDITURES										
9	Ecology Operating	\$129,259	\$4,628	\$44,295	\$178,182	\$131,805	\$4,664	\$44,554	\$181,023		
10	Other Agency Operating	\$18,388		\$3,869	\$22,257	\$17,222		\$2,716	\$19,938		
11	Total Operating	\$147,647	\$4,628	\$48,164	\$200,439	\$149,027	\$4,664	\$47,270	\$200,961		
12	CAPITAL REAPPROPRIATIONS										
13	Ecology Reappropriations	\$32,834	\$125,823	\$153,924	\$312,581						
14	Enacted Budget Expenditure Assumptions	(\$3,000)	(\$19,339)	(\$34,048)	(\$56,387)	\$14,869	\$72,014	\$34,048	\$120,931		
15	Ecology Reappropriation Adjust for 13-15 Expend.	(\$8,968)	(\$23,881)	(\$26,444)	(\$59,293)						
16	Other Agency Reappropriation	\$1,118	\$1,194	\$395	\$2,707						
17	Other Agency Reappropriation Adjust for 13-15 Expend.		(\$44)	(\$116)	(\$161)						
18	Total Reappropriations	\$21,984	\$83,752	\$93,712	\$199,447	\$14,869	\$72,014	\$34,048	\$120,931		
19	CAPITAL NEW APPROPRIATIONS										
20	Ecology New Appropriation	\$38,550	\$108,050		\$146,600						
21	Enacted Budget Expenditure Assumptions	(\$11,869)	(\$52,675)		(\$64,544)						
22	Other Agency New Appropriation	\$1,000		\$856	\$1,856						
23	Total New Appropriations	\$27,681	\$55,375	\$856	\$83,912						
24	Total Capital	\$49,665	\$139,127	\$94,568	\$283,359	\$14,869	\$72,014	\$34,048	\$120,931		
25	ENDING FUND BALANCE										
26	Working Capital Reserve	(\$3,000)	(\$1,000)	(\$2,900)	(\$6,900)	(\$3,000)	(\$1,000)	(\$2,900)	(\$6,900)		
27	ENDING FUND BALANCE	\$2,902	(\$19,009)	(\$46,769)	(\$62,876)	\$7,059	\$27,513	(\$44,098)	(\$9,526)		

**Department of Ecology
Toxics Cleanup Program
2016 Supplemental Budget Request
Bond Backfill Proposal for Eastern Washington Clean Sites Initiative (30000432)**
As of: 9/24/2015

ATTACHMENT B

PURPOSE
1) Identify Eastern Washington Clean Sites Initiative Projects appropriated in the 2015-17 Enacted Capital Budget that Ecology plans to fund with estimated cash resources in the Model Toxics Control Act (MTCOA) accounts for the 2015-17 biennium -- projects lightly shaded and above the line.
2) Detail Eastern Washington Clean Sites Initiative projects appropriated in the 2015-17 Enacted Capital Budget that cannot be funded because of insufficient cash resources -- unshaded projects and below the line.

Since the May 2015 revenue forecast, actual and projected revenue for the MTCOA accounts dropped by \$60 million, leaving a projected overall MTCOA 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 cleanup projects. Ecology requests State Building Construction Account (SBCA) dollars of \$6.4 million be appropriated for fully ready to proceed projects to offset the shortfall in MTCOA revenue in the 2015-17 biennium. This list represents cleanup projects appropriated in the enacted budget and is a plan for implementing the enacted 2015-17 budget based on the best information available to Ecology. The plan may change as more information becomes available.

APPLICATION OF SECTION 7038 ENACTED BUDGET CRITERIA
The 2015-17 enacted capital budget (2EHB 1115, Section 7038(3)) provided Ecology with criteria to use to identify delayed cleanup projects. The Toxics Cleanup Program reviewed each project in this table and ranked individual grants by:
1) Applying Section 7038 criteria as detailed in the 2015-17 Biennium Cash Management Plan for the Model Toxics Control Act Accounts. The criteria are:
> Acuity of Need - Projects were given a '1' in the table below if legally required; awaiting state reimbursement for past costs; steady flow of funding required for projects currently in construction; interim actions; or recipient organization past spending patterns.
> Readiness to Proceed - Projects were given a '1' in the table below if a contract is in place; local government approvals are complete; orders are final; stage of cleanup has reports and public comment complete; or permits are in hand.
> Cost Efficiency - Projects were given a '1' in the table below if existing investments will be lost or if state funding leverages other cleanup investments.
> Need to Ensure Geographic Distribution - This criteria is met across all four Toxics Cleanup Program capital projects (Remedial Action Grants, Cleanup Toxic Sites-Puget Sound, Eastern Washington Clean Sites Initiative, and Leaking Tank Model Remedies). Project lists demonstrate geographic distribution throughout Washington by listing the individual grant or state-directed investment by county.

2) Where groups of projects met all of the same Section 7038 criteria, projects were further ranked considering the original prioritized list Ecology submitted with the 2015-17 budget request.

3) Reviewing current information from Ecology's regional cleanup managers on the status of projects to further refine the prioritization. Considering, for instance, the construction stage of projects, schedule changes, whether permits are in hand, if projects are ready to bid, if projects leverage partnerships, and if projects have already incurred eligible costs.

Section 7038 Criteria											
Rank (09/2015)	Recipient	Project	Description	Acuity of Need	Readiness to Proceed	Cost Efficiency	Need to Ensure Geographic Distribution	Cost	Running Total	Leg. District	Notes
1	N/A Ecology wide cleanup	Aliprot Kwik Stop	Construction O & M: Conduct additional remedial actions (treatment chemical injection). Continue groundwater monitoring and operations/maintenance of treatment system.	1	1	1	Pend Oreille	\$ 360,000	\$ 360,000	7	
2	N/A Ecology wide cleanup	L&L Exxon	Construction O & M: Public works removal actions planned for completion in 2013-15. Groundwater treatment and monitoring is planned in 2015-17.	1	1	1	Benton	\$ 100,000	\$ 460,000	8	
3	N/A Ecology wide cleanup	Colville Post and Pole	Construction O & M: Conduct interim actions including contaminated soil and wood debris removal.	1	1	1	Stevens	\$ 500,000	\$ 960,000	7	
4	N/A Ecology wide cleanup	Gold Nugget	Construction O & M: Site cleanup is ongoing and planned to close out in the 2015-17 biennium. The soil and groundwater are responding to treatment.	1	1	1	Yakima	\$ 100,000	\$ 1,060,000	15	
5	N/A Ecology wide cleanup	Priceless Gas	Construction O & M: Conduct additional remedial actions (treatment chemical injection). Continue groundwater monitoring and operations/maintenance of treatment system.	1	1	1	Lincoln	\$ 100,000	\$ 1,160,000	13	
6	N/A Ecology wide cleanup	Roby's	Construction O & M: Site cleanup is ongoing and planned to close out in the 2015-17 biennium. The soil and groundwater are responding to treatment.	1	1	1	Yakima	\$ 100,000	\$ 1,260,000	15	
7	N/A Ecology wide cleanup	Marshall Landfill	Construction O & M: Conduct interim action of preparing site for impermeable cover. Activities include waste consolidation, site grading stormwater improvements, etc. Impermeable cover (geomembrane) installation will be conducted when funding is available.	1	1	1	Spokane	\$ 5,400,000	\$ 6,660,000	6	
8	N/A Ecology wide cleanup	Moxee City Shop	Construction O & M: Site cleanup planned for digging and hauling contaminated sediments. Expect a no further action determination.	1	1	1	Yakima	\$ 50,000	\$ 6,710,000	15	
9	N/A Ecology wide cleanup	Tiger - 56th & Summitview	RI field work ongoing. This project is the remediation and redevelopment of an abandoned gas station. The property is valuable and in a prime retail location.	1	1	1	Yakima	\$ 50,000	\$ 6,760,000	14	

Section 7038 Criteria											
Rank (09/2015)	Recipient	Project	Description	Acuity of Need	Readiness to Proceed	Cost Efficiency	Need to Ensure Geographic Distribution	Cost	Running Total	Leg. District	Notes
9	N/A Ecology wide cleanup	Tiger - East 16th & Nob Hill	RI field work ongoing: This project is the remediation and redevelopment of valuable property in a prime commercial location -- right on an interstate exit. It is a former gasoline bulk plant and distribution center.	1	1	1	Yakima	\$ 100,000	\$ 6,860,000	15	
9	N/A Ecology wide cleanup	Tiger - North 1st Street	RI field work ongoing: This project is the remediation and redevelopment of an old abandoned gas station. The property is located right on entrance to the City of Yakima.	1	1	1	Yakima	\$ 100,000	\$ 6,960,000	15	
10	N/A Ecology wide cleanup	Central Washington University	RI field work ongoing: The university is moving forward to decommission tanks. The environmental cleanup is planned for the same time period and site cleanup is expected in 2015-16.		1	1	Kittitas	\$ 300,000	\$ 7,260,000	13	
11	N/A Ecology wide cleanup	Stubblefield Salvage Yard	RI/FS: Conduct Remedial Investigation and Feasibility Study (RI/FS).	1			Walla Walla	\$ 500,000	\$ 7,760,000	16	
12	N/A Ecology wide cleanup	Northport Remedial Investigation	RI/FS: Conduct Remedial Investigation of near-shore contamination from LeRoy Smeiter slag.	1			Stevens	\$ 600,000	\$ 8,360,000	7	
13	N/A Ecology wide cleanup	Columbus Square	RI field work going: The project is early in the investigation. The site seems to have contamination both on and off-site contamination. The investigation has expanded to find the contamination source.		1		Klickitat	\$ 300,000	\$ 8,660,000	14	
14	N/A Ecology wide cleanup	Frenches	RI field work going: Groundwater treatment and monitoring, bioremediation planned for 2015-17.		1		Yakima	\$ 200,000	\$ 8,860,000	15	
15	N/A Ecology wide cleanup	Pet Health Clinic	FS: This project includes possible excavation of contaminated soil and groundwater monitoring and treatment.		1		Yakima	\$ 350,000	\$ 9,210,000	15	
16	N/A Ecology wide cleanup	Headwaters Inn	RI field work going: This project includes possible excavation of contaminated soil and groundwater monitoring and		1		Chelan	\$ 300,000	\$ 9,510,000	12	
17	N/A Ecology wide cleanup	Kings Pacific Pride	RI field work going: This project includes possible excavation of contaminated soil and groundwater monitoring and		1		Okanogan	\$ 250,000	\$ 9,760,000	12	
18	N/A Ecology wide cleanup	Bonjomi	RI field work going: This project includes possible excavation of contaminated soil and groundwater monitoring and		1		Kittitas	\$ 200,000	\$ 9,960,000	13	
19	N/A Ecology wide cleanup	Bob's Auto Clinic	Construction O & M: This project includes groundwater monitoring.	1			Yakima	\$ 50,000	\$ 10,010,000	15	
20	N/A Ecology wide cleanup	Dryden Pit (WDFW)	Beginning RI: This project would fund the capping of the site (state land managed by the Department of Fish and Wildlife) to limit exposure to lead and arsenic contamination.				Chelan	\$ 500,000	\$ 10,510,000	12	
21	N/A Ecology wide cleanup	Writs Service	Beginning RI: The project includes site investigation, groundwater monitoring and possible removal of contaminated soil.				Kittitas	\$ 200,000	\$ 10,710,000	13	
22	N/A Ecology wide cleanup	Mackner Scales	Additional field data gathering: This project will fund the remediation of contaminated soil and groundwater to prepare the site for redevelopment.				Kittitas	\$ 250,000	\$ 10,960,000	13	
23	N/A Ecology wide cleanup	Meza Market	Beginning RI: This project will conduct groundwater investigation and monitoring.				Yakima	\$ 40,000	\$ 11,000,000	15	
							Total 2015-17 Appropriation	\$ 11,000,000			
							Enacted Budget Expenditure Rate	\$ (3,300,000)			
							Less 2015-17 Projected Funding Available	\$ (1,260,000)			
							Bond Backfill Needed for 2015-17 Expenditures	\$ 6,440,000			

Department of Ecology

ATTACHMENT C

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
Funding available for Cleanup Projects in 2015-17	\$ 18.4

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)
Bond backfill needed for 2015-17 expenditures	\$ 19.6

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

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

<i>Dollars in millions</i>	2015-17 New 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
Total Cleanup Projects	\$ 98.0		\$ 18.4

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

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

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

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

Operating Activities Funded with Model Toxics Control Act Dollars Shifted from General Fund - State (Ongoing)

Purpose: Identifies operating activity-level details of **ongoing fund shifts** from General Fund - State (GF-S) to the Model Toxics Control Act (MTCA) accounts (State Toxics Control (STCA), Local Toxics Control (LTCA) the Environmental Legacy Stewardship (ELSA)) from the 2009-11 Biennium thru the 2015-17 Enacted Budget.

9/24/2015

ATTACHMENT D

Budget Level	Budget Item	Rec Sum	Account-Type	Agency Total
15-17 PL	G03 Air Quality & Shorelands Fund Shift	General Fund-State expenditures for the Department of Ecology's Air Quality program and the Shorelands and Environmental Assistance program are shifted to the State Toxics Control Account on an ongoing basis.	173-1 State Toxics Control - State	9,600,000
13-15 PL	02 Air Quality Fund Shift	Work within the Air Quality Program related to preventing unhealthy air and violations of federal air quality standards is shifted on an ongoing basis from the state general fund to the State Toxics Control Account (STCA).	173-1 State Toxics Control - State	5,130,000
13-15 PL	04 Fund Shift to Toxics	State general fund expenditures are shifted on an ongoing basis to the STCA for activities in the Air Quality, Water Quality, Environmental Assessment, Shorelands and Environmental Assistance, and Administration Programs.	173-1 State Toxics Control - State	24,000,000
11-13 PL	07 Continued Pollution Control Fund Shift	Continuing a budget change initiated in the 2010 supplemental operating budget, the General Fund-State portion of activities that support cleaning up polluted waters, controlling stormwater pollution, and preventing point source and non-point source pollution is shifted, on a one-time basis, to the State Toxics Control Account.	173-1 State Toxics Control - State	5,000,000
11-13 PL	CB Local Shoreline Grants Fund Shift	Base funding of \$4.5 million is shifted permanently from General Fund State to the Local Toxics Control Account for grants to local governments engaged in Shoreline Master Program updates.	174-1 Local Toxics Control	4,500,000
Notes:	<p>1 Expenditures from the State and Local Toxics Control Accounts were subsequently partially shifted to ELSA (see 2013-15 Budget item 501). After realignment, net shifts from GF-S were: STCA \$35,044,261; ELSA \$13,185,739.</p> <p>2 See 2015-17 Biennium Budget Item A0 (Forest Practices Fund Exchange) Rec Sum - A portion of the state general fund support for the Forest Practices Program is shifted to the State Toxics Control Account on an ongoing basis.</p> <p>3 See 2009-11 Biennium Operating Budget Item HAD (Administration Fund Shift) Rec Sum - Administration expenses are shifted from the state general fund to the State Toxics Control Account.</p>			
				48,230,000
				5,438,000
				170,000
				53,838,000
				Grand Total = Ecology + Other Agencies

Capital Project Request

2015-17 Biennium

*

Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/29/2015 4:26PM

Project Number: 30000490

Project Title: Leaking Tank Model Remedies

Description

Starting Fiscal Year: 2016

Project Class: Grant - Pass Through

Agency Priority: 4

Project Summary

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 State Toxics Control Account (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 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 \$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.

Project Description**What is the proposed project?**

The 2013 Legislature passed Second Engrossed Second Substitute Senate Bill (2E2SSB) 5296, which directed Ecology to develop model remedies and report back to the Governor and Legislature by November 1, 2016. Ecology's initial focus has been to develop model remedies for leaking fuel tanks. Model remedies and the work we will complete with this funding are key parts of Ecology's strategy to address leaking fuel tanks. Even a small amount of petroleum released from a fuel tank can contaminate groundwater, which serves as a source of drinking water for over half of the state's residents.

In the early 1990s, the Environmental Protection Agency (EPA) established new regulatory requirements to prevent petroleum releases. Many gas station owners went out of business because they could not afford the cost of complying with the new regulations. This left properties abandoned, either without owners or with owners who were bankrupt and without resources to clean up the contamination. These abandoned properties created a large backlog of potential cleanup sites.

Since the early 1990s, Washington and other states have made steady progress investigating and cleaning up past releases. In Washington, nearly 4,000 leaking fuel tank sites have been evaluated and cleaned up. But Washington still has over 2,600 leaking fuel tank sites that require further action. These leaking tanks are both privately and publicly owned at facilities like bus barns, metro transit facilities, fire districts, and public works facilities.

The enacted budget provided \$2 million of STCA appropriation for Leaking Tank Model Remedies in the 2015-17 biennium. However, with the recent and significant drop in the price of oil and the correlated decrease in the September 2015 Hazardous Substance Tax (HST) forecast (MTCA's major revenue source), revenue projections for all three MTCA accounts (STCA, Local Toxics Control Account, Environmental Legacy Stewardship Account) will fall short of the 2015-17 enacted budget expenditure assumptions.

Attachment A details the revised fund balance estimates for the 2015-17 and 2017-19 biennia for the September 2015 forecast (Ecology will update this attachment with the November 2015 and February 2016 HST forecasts.) Department of Revenue's September 2015 HST forecast and actual collections dropped projected capacity in the three MTCA accounts by \$60 million. Implementing the 2015-17 enacted biennial budget will be extremely challenging. The last four months – May 2015 through September 2015 – have shown Ecology will be hard pressed to maintain positive cash balances in the three MTCA accounts and to make significant cleanup investments when declining oil prices are driving revenue volatility. Ecology will have to delay capital cleanup projects to maintain a positive cash balance and give the Governor and Legislature time to update the enacted

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Description

2015-17 biennium budget to address this major change.

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 a loan from the Cleanup Settlement Account of up to \$13 million repaid with interest in three equal repayments in fiscal years 2018, 2019, and 2020.
3. Authorized Ecology to delay the start of cleanup projects.

Ecology and the Office of Financial Management developed a MTCA Cash Management Plan (Plan) for the 2015-17 biennium. The Plan describes Ecology's use of these options to maintain positive cash balances in the accounts, including delaying several high-priority cleanup projects. All three tools are being used to help manage these funds.

Section 7038 (3) specifies that if further reductions are needed to maintain positive account balances after using the inter-fund transfer authority, Ecology is authorized to delay the start of cleanup projects based on acuity of need, readiness to proceed, cost-efficiency, or need to ensure geographic distribution. The Plan outlines the Toxics Cleanup Program's (TCP) approach to implementing the legislative criteria. If Ecology uses this authority, we must submit a prioritized list of projects that may be delayed to the Office of Financial Management and the appropriate legislative fiscal committees. Attachment B includes a list of the prioritized Leaking Tank Model Remedies projects that will be delayed due to the MTCA revenue shortfall.

The process TCP used to prioritize grant projects included:

- 1) Applying Section 7038 criteria as detailed in the Plan.
- 2) Where groups of projects met all of the same Section 7038 criteria, projects were further ranked considering the original prioritized list Ecology submitted with the 2015-17 budget request.
- 3) Reviewing current information from Ecology's regional cleanup managers on the status of projects to further refine the prioritization. Considering, for instance, the construction stage of projects, schedule changes, whether permits are in hand, if projects are ready to bid, if projects leverage partnerships, and if projects have already incurred eligible costs.

In addition to the tools provided in Section 7038, Ecology is actively managing this revenue 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 SBCA dollars before MTCA in two non-cleanup projects - Centennial and Stormwater - that received both MTCA and SBCA funding in the 2015-17 biennium. The enacted budget already assumes \$121 million of MTCA expenditures will occur in the 2017-19 biennium. By spending SBCA 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.

When including the \$14 million SBCA adjustment as illustrated in Attachment C, Ecology estimates that a total of \$18.4 million will be available for cleanup projects in 2015-17, unless there is a legislative fix that fills the revenue shortfall. Apportioning the \$18.4 million across the four cleanup projects (RA grants, Cleanup Toxic Sites - Puget Sound, Eastern Washington Clean Sites Initiative, and Leaking Tank Model Remedies) based on their overall appropriation leaves \$376,000 for Leaking Tank Model Remedies projects in the 2015-17 biennium.

Ecology will use the \$376,000 this biennium to proceed with four individual leaking fuel tank investigations to determine if further cleanup is needed. We will also support evaluation of these cleanups, which will be used to improve existing model

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remedies and develop model remedies for other types of sites. These projects are listed above the line in Attachment B.

If backfill funding is not provided for the projects that fall below the line, they will not be able to proceed as planned. Contamination would remain in these areas, leaving potential threats to human health and the environment and hindering opportunities for investments in redevelopment. As instructed by the Legislature, and to successfully evaluate the effectiveness of the model remedies at leaking tank sites, multiple sites should be cleaned up and then assessed. Along with evaluating these sites, this request offers a standard cleanup remedy that will provide more predictable outcomes, potentially speed the cleanup process, and reduce costs per project as the process is streamlined.

During the 2009-11 biennium, the Legislature managed some impacts to the state budget brought on by the Great Recession by transferring MTCA funding to the General Fund-State (GF-State). There were direct transfers, but the Legislature also preserved investments in cleanup. In the Remedial Action Grant Program, SBCA was used to backfill MTCA transfers. This provided funding for existing projects and invested in new Remedial Action grants during the economic downturn. Now, the economy is in a growth period – the very time when toxic site cleanup is affordable and interest in redevelopment is high. Ecology requests that \$1.6 million in SBCA funding be appropriated so important cleanup work is not delayed in the 2015-17 biennium. It will be a zero-sum fund shift of dollars supporting capital budget appropriations already made, and will change the fund source for Leaking Tank Model Remedies projects so they can begin work this biennium.

What opportunity or problem is driving this request?**The reason for the project:**

Washington has abundant, high quality groundwater resources that are critical to the health and economic well-being of Washingtonians. Leaking fuel tanks pose risks to Washington's groundwater resources, which serve as a source of drinking water for over half of Washington residents. Ecology estimates there are over 2,600 leaking fuel tank sites that need to be evaluated and potentially cleaned up. Many of these sites were first discovered in the 1990s. Long delays in starting and completing cleanup actions increase the potential for releases to groundwater. Delays also hinder local community efforts to redevelop contaminated brownfield properties. These are properties previously developed and currently abandoned or underutilized because their reuse is hindered by release or threatened release of hazardous substances.

Dramatic reductions in actual revenue collections and projected future revenue are the reason this request is needed. Oil prices have dropped from a high of \$104 per barrel in August 2014* to a low of \$42 per barrel in August 2015. Forecasted HST revenue for the 2015-17 biennium decreased from \$326 million in the May 2015 forecast to \$276 million in the September 2015 forecast – a decrease of \$50 million. Actual revenue collections for May and June 2015 fell \$10 million short of the forecast, for a total revenue shortfall of \$60 million from the May 2015 forecast.

Also, the enacted budget appropriated \$121 million more than was projected in actual revenue from the May 2015 forecast assuming these dollars would be spent in future biennia. This has created an additional challenge in managing the shortfall. Finally, recent enacted budgets during the Great Recession have shifted \$53.8 million in funding for long-standing core environmental and public health protection work funded at Ecology and other agencies from the GF-State to MTCA accounts. These fund shifts are also contributing to the overall tight MTCA capacity. Providing SBCA backfill funding will allow these important projects to proceed.

*Source: U.S. Department of Energy Europe Brent Spot Price FOB

The effects of non-funding:

If this request is not funded, the regulated community would not receive the full benefits of the model remedy provisions, in terms of reduced evaluation costs and shorter cleanup timeframes.

The lack of a robust model remedy program would reduce the effectiveness of Ecology's other regulatory streamlining efforts to accelerate investigation, cleanup, and delisting of leaking fuel tanks.

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The lack of additional funding for confirmation sampling would delay decisions on removing sites from the cleanup site list. The lack of additional funding for priority cleanup projects would increase the potential for releases to groundwater, surface waters, and air, and hinder redevelopment of contaminated properties.

Providing bond backfill funding will allow continued direct cleanup investments across the state; streamline the leaking tank fuel cleanup process; and implement key tenets of 2E2SSB 5296. If this request is not funded, Ecology would have to delay these important cleanup and development projects until sufficient MTCA revenue is available.

How does the project support the agency and statewide results?

This project is essential to implementing Ecology's strategic priority to Prevent and Reduce Toxic Threats by developing model remedies and completing and confirming cleanups at leaking fuel tank sites in a more timely way. This request develops a streamlined approach to clean up Ecology's largest (by number) category of cleanup sites.

This request supports Puget Sound Action Agenda implementation through strategy C9 "Address and clean up cumulative water pollution impacts in Puget Sound," substrategy C9.2 "Clean up contaminated sites within and near Puget Sound." This request relates to the Puget Sound Action Agenda strategy and substrategy by producing more efficient and cost effective cleanups that reduce and control sources of pollution. Investing in model remedy development and evaluation supports the Action Agenda by returning a polluted or degraded environment, as much as possible, to a healthy, self-sustaining ecosystem.

This request is essential to support the Governor's budget and economic development priorities by investing funds to protect public health and natural resources. It supports Results Washington Goal 3, Sustainable Energy and a Clean Environment, by cleaning up and managing contaminated sites that pose threats to public health, the environment, groundwater, and fish and wildlife resources. Specifically:

Goal 3/Goal Topic/Sub-Topic: Sustainable Energy and a Clean Environment/Clean and Restored Environment *Keep our land, water and air clean/* Healthy Lands

Outcome Measure 3.1 - Increase the number of contaminated sites cleaned up by 17 percent from 5,815 to 6,803 by 2020.
Leading Indicator 3.1.a - Increase the number of contaminated brownfield sites returned to economically productive use from 476 to 641 by 2016.

Investing these funds will accelerate the number of cleanups completed and protect public health and the environment.

This work supports Goal 2, Prosperous Economy by creating and supporting jobs and making it possible to redevelop previously contaminated land to support economic growth in communities.

This request also supports Results Washington Goal 5, Effective, Efficient and Accountable Government, by demonstrating Ecology's responsiveness, accountability, and commitment to more efficient regulatory processes related to the Legislature and the public's request to develop model remedies.

What are the specific benefits of this project?

This work will benefit Washingtonians by achieving economic and social results related to a clean and restored environment. Specifically, benefits of this request include:

- The contaminated sites identified in Attachment B will be cleaned up.
- The people of Washington will have reduced exposure to hazardous substances.
- Opportunities for local economic and community development will increase as sites are cleaned up and returned to productive use.

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-- Improved economic health will promote more livable communities.

How will clients be affected and services change if this project is funded?

Model remedies will provide greater predictability for site owners and operators on remedy selection and reduce evaluation costs and cleanup timeframes. By streamlining and eliminating steps in the assessment process, costs and the funding amount for each project are reduced. This reduction in costs per site will allow more cleanups to be funded.

Cleanup projects are usually the first phase of a larger community or economic redevelopment project. This is especially true for leaking fuel tank sites that are often located in prime urban redevelopment locations. Greater predictability and reduced cleanup timeframes will improve efforts to integrate cleanup timelines with area or property-specific redevelopment strategies.

Are FTEs required to support this project?

No

How will the other state programs or units of government be affected if this project is funded?

More than half of cleanup sites in Washington are leaking fuel tank sites. Some level of collaboration with local, tribal, state, and federal governments is required for most cleanup projects to be completed successfully. Some of the leaking fuel tank sites addressed through the model remedy program are owned or operated by local governments. The state partners with local governments to fund cleanup through the Remedial Action Grant Program. Using model remedies will benefit local governments by supporting efficient and effective use of available grant funding provided to manage, prevent, recycle, and clean up toxic and solid waste in the land, air, and water.

Some of the leaking fuel tank sites addressed through the model remedy program are owned or operated by other state agencies, such as the Washington State Department of Transportation. These agencies will be able to use the model remedies to support cleanup decisions.

The EPA implements a national program designed to identify and clean up leaking fuel tank sites. This project will increase Ecology's ability to reduce Washington's share of the national backlog of leaking fuel tank sites.

What is the impact on the state operating budget?

None

Why is this the best option or alternative?

Ecology considered several alternatives for funding these projects. One alternative considered was increasing the HST by an inflationary factor. The HST has not been increased since voters approved it in 1988. But there may not be political support to increase the tax at this time. An alternative approach would be to pass a tax surcharge that turns on when certain revenue conditions are not met.

A second alternative would be to swap back some or all of the ongoing GF-State to MTCA fund shifts. During the last several years the Legislature has moved \$53.8 million in ongoing GF-State operating budget appropriations to the MTCA accounts to address the Great Recession (see Attachment D for a list of these fund shifts). Swapping back these operating expenditures from MTCA funding to GF-State would free up MTCA revenue.

Another alternative was to take a loan from the Cleanup Settlement Account greater than the \$13 million authorized in Section 7038 of 2EHB 1115. This alternative was not pursued because the provisions require pay-back with interest, and we cannot be sure the borrowing MTCA account would be able to repay the loan obligation. Also, taking a higher loan amount could

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Description

jeopardize Ecology's ten year plan for the work intended to be funded by the Cleanup Settlement Account.

If an alternative solution is not provided, Ecology will have to delay leaking tank model remedies projects until revenue recovers in the MTCA accounts. Funding a bond backfill is the best option because it will fund the capital budget as the Legislature originally intended and give Ecology the resources to implement the budget as originally passed.

What is the agency's proposed funding strategy for the project?

Ecology's proposed funding strategy is to use \$1.96 million State Building Construction Account and reduce the State Toxics Control Account funding by the same amount so important toxic sites cleanup work can begin immediately, rather than having to delay projects until sufficient MTCA revenue is available.

The ten-year plan estimates are based on the original 2015-17 capital budget submittal by Ecology. Because the MTCA accounts have a projected negative \$9.5 million fund balance in the 2017-19 biennium without one dollar for new investments, Ecology has shifted the ten-year plan estimates forward one biennium. There is a need for toxic site cleanup during the 2017-19 biennium, and we will assess how much to request in the 2017-19 biennial budget with the June 2016 revenue forecast.

Project Type

Grants

Grant Recipient Organization: N/A

RCW that establishes grant: N/A

Application process used

N/A

Growth Management impacts

None

Funding

Acct Code	Account Title	Estimated Total	Expenditures		2015-17 Fiscal Period	
			Prior Biennium	Current Biennium	Reappropriates	New Appropriates
057-1	State Bldg Constr-State	1,624,000				1,624,000
173-1	State Toxics Control-State	12,376,000				376,000
	Total	14,000,000	0	0	0	2,000,000
Future Fiscal Periods						
		<u>2017-19</u>	<u>2019-21</u>	<u>2021-23</u>	<u>2023-25</u>	
057-1	State Bldg Constr-State					
173-1	State Toxics Control-State		4,000,000	4,000,000	4,000,000	
	Total	0	4,000,000	4,000,000	4,000,000	

Operating Impacts

No Operating Impact

Expected Use of Bond/COP Proceeds

Agency No.	461	Agency Name	Department of Ecology
Contact Name:	Angie Wirkkala		
Phone:	360-407-7219	Fax:	
Fund(s) Number:	057	Fund Name:	State Building Construction Account
Project Number:	30000490	Project Title:	Leaking Tank Model Remedies

1. Will any portion of the project or asset ever be owned by any entity other than the state or one of its agencies or departments? Yes No
2. Will any portion of the project or asset ever be leased to any entity other than the state or one of its agencies or departments? Yes No
3. Will any portion of the project or asset ever be managed or operated by any entity other than the state or one of its agencies or departments? Yes No
4. Does the project involve a public/private venture, or will any entity other than the state or one of its agencies or departments ever have a special priority or other right to use any portion of the project or asset to purchase or otherwise acquire any output of the project or asset such as electric power or water supply? Yes No
5. Will any portion of the Bond/COP proceeds be granted or transferred to nongovernmental entities or granted or transferred to other governmental entities which will use the grant for nongovernmental* purposes? Yes No
6. If you have answered "Yes" to any of the questions above, will your agency or any other state agency receive any payments from any entity, other than the state or one of its agencies or departments or any local government units, for the use of, or in connection with, the project or assets? Yes No
7. Will any portion of the project or asset, or rights to any portion of the project or asset, ever be sold to any entity other than the state or one of its agencies or departments? Yes No
8. Will any portion of the Bond/COP proceeds be loaned to nongovernmental entities or loaned to other governmental entities that will use the loan for nongovernmental purposes? Yes No
9. Will any portion of the project or asset be used to perform sponsored research under an agreement with a nongovernmental person, such a business corporation or the federal government, including any federal department or agency? Yes No

***Nongovernmental purposes is defined in the Glossary and examples provided in Section 4.3 of the Capital Budget Instructions.**

- If the answer to any one of questions 1 through 5 is yes and answers to 6, 7, and 8 are no, request tax exempt funding.
- If the answer to any one of questions 1 through 5 is yes and 6 is yes, request taxable funding from Fund 355.
- If the answer to all of questions 1 through 6 are no and the answer to either question 7 or 8 is yes, request taxable funding from Fund 355.
- If the answer to question 9 is yes, please provide a detailed explanation of the terms of any and all of such sponsored research agreements.

Attach this form to your project in CBS. The Office of the State Treasurer, bond counsel, or the Office of Financial Management may review this form for any projects requested in the budget.



9/17/2015

Estimated Fund Balances for MTCA Related Accounts 2015-17 Enacted and 2017-19 Projection After September 2015 Forecast

ATTACHMENT A

Purpose: Provide projected ending fund balances in accounts related to the Model Toxics Control Act after beginning 2015-17 balances and September 2015 revenue forecast.

Assumptions: (1) Beginning 2015-17 Fund Balance and Reappropriations based on 2013-15 Phase 3 September 16, 2015. (2) 2015-17 based on Enacted budget expenditure assumptions provided by legislative staff. (3) 2017-19 Operating is CFL estimate and Capital is necessary unspent amounts from 2015-17.

		2015-17					2017-19				
		STCA	LTCA	ELSA	TOTAL	STCA	LTCA	ELSA	TOTAL		
Dollars in thousands											
1	BEGINNING FUND BALANCE	\$37,125	\$77,181	\$26,447	\$140,754	\$5,902	(\$18,009)	(\$43,869)	(\$55,976)		
2	REVENUE										
3	Hazardous Substance Tax (DOR September 2015)	\$150,136	\$117,964	\$7,715	\$275,815	\$156,800	\$123,200	\$83,989	\$363,989		
4	Ecology Revenue	\$11,253			\$11,253	\$11,253			\$11,253		
5	Total Revenue	\$161,389	\$117,964	\$7,715	\$287,068	\$168,053	\$123,200	\$83,989	\$375,242		
6	TRANSFERS										
7	Transfers	\$4,700	(\$69,400)	\$64,700	\$0				\$0		
8	OPERATING EXPENDITURES										
9	Ecology Operating	\$129,259	\$4,628	\$44,295	\$178,182	\$131,805	\$4,664	\$44,554	\$181,023		
10	Other Agency Operating	\$18,388		\$3,869	\$22,257	\$17,222		\$2,716	\$19,938		
11	Total Operating	\$147,647	\$4,628	\$48,164	\$200,439	\$149,027	\$4,664	\$47,270	\$200,961		
12	CAPITAL REAPPROPRIATIONS										
13	Ecology Reappropriations	\$32,834	\$125,823	\$153,924	\$312,581						
14	Enacted Budget Expenditure Assumptions	(\$3,000)	(\$19,339)	(\$34,048)	(\$56,387)	\$14,869	\$72,014	\$34,048	\$120,931		
15	Ecology Reappropriation Adjust for 13-15 Expend.	(\$8,968)	(\$23,881)	(\$26,444)	(\$59,293)						
16	Other Agency Reappropriation	\$1,118	\$1,194	\$395	\$2,707						
17	Other Agency Reappropriation Adjust for 13-15 Expend.		(\$44)	(\$116)	(\$161)						
18	Total Reappropriations	\$21,984	\$83,752	\$93,712	\$199,447	\$14,869	\$72,014	\$34,048	\$120,931		
19	CAPITAL NEW APPROPRIATIONS										
20	Ecology New Appropriation	\$38,550	\$108,050		\$146,600						
21	Enacted Budget Expenditure Assumptions	(\$11,869)	(\$52,675)		(\$64,544)						
22	Other Agency New Appropriation	\$1,000		\$856	\$1,856						
23	Total New Appropriations	\$27,681	\$55,375	\$856	\$83,912						
24	Total Capital	\$49,665	\$139,127	\$94,568	\$283,359	\$14,869	\$72,014	\$34,048	\$120,931		
25	ENDING FUND BALANCE										
26	Working Capital Reserve	(\$3,000)	(\$1,000)	(\$2,900)	(\$6,900)	(\$3,000)	(\$1,000)	(\$2,900)	(\$6,900)		
27	ENDING FUND BALANCE	\$2,902	(\$19,009)	(\$46,769)	(\$62,876)	\$7,059	\$27,513	(\$44,098)	(\$9,526)		

**Toxics Cleanup Program
2016 Supplemental Budget Request
Bond Backfill Proposal for Leaking Tank Model Remedies (30000490)**
As of: 9/24/2015

ATTACHMENT B

PURPOSE
 1) Identify Leaking Tank Model Remedy projects appropriated in the 2015-17 Enacted Capital Budget that Ecology plans to fund with estimated cash resources in the Model Toxics Control Act (MTCOA) accounts for the 2015-17 biennium -- projects lightly shaded and above the line.
 2) Detail Leaking Tank Model Remedy projects appropriated in the 2015-17 Enacted Capital Budget that cannot be funded because of insufficient cash resources -- unshaded projects and below the line.

Since the May 2015 revenue forecast, actual and projected revenue for the MTCOA accounts dropped by \$60 million, leaving a projected overall MTCOA 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 cleanup projects. Ecology requests State Building Construction Account (SBCA) dollars of \$1.6 million be appropriated for fully ready to proceed projects to offset the shortfall in MTCOA revenue in the 2015-17 biennium. This list represents cleanup projects appropriated in the enacted budget and is a plan for implementing the enacted 2015-17 budget based on the best information available to Ecology. The plan may change as more information becomes available.

APPLICATION OF SECTION 7038 ENACTED BUDGET CRITERIA
 The 2015-17 enacted capital budget (2EHB 1115, Section 7038(3)) provided Ecology with criteria to use to identify delayed cleanup projects. The Toxics Cleanup Program reviewed each project in this table and ranked individual grants by:
 1) Applying Section 7038 criteria as detailed in the 2015-17 Biennium Cash Management Plan for the Model Toxics Control Act Accounts. The criteria are:
 > Acuity of Need - Projects were given a '1' in the table below if legally required; awaiting state reimbursement for past costs; steady flow of funding required for projects currently in construction; interim actions; or recipient organization past spending patterns.
 > Readiness to Proceed - Projects were given a '1' in the table below if a contract is in place; local government approvals are complete; orders are final; stage of cleanup has reports and public comment complete; or permits are in hand.
 > Cost Efficiency - Projects were given a '1' in the table below if existing investments will be lost or if state funding leverages other cleanup investments.
 > Need to Ensure Geographic Distribution - This criteria is met across all four Toxic Cleanup Program capital projects (Remedial Action Grants, Cleanup Toxic Sites-Puget Sound, Eastern Washington Clean Sites Initiative, and Leaking Tank Model Remedies). Project lists demonstrate geographic distribution throughout Washington by listing the individual grant or state-directed investment by county.

2) Where groups of projects met all of the same Section 7038 criteria, projects were further ranked considering the original prioritized list Ecology submitted with the 2015-17 budget request.
 3) Reviewing current information from Ecology's regional cleanup managers on the status of projects to further refine the prioritization. Considering, for instance, the construction stage of projects, schedule changes, whether permits are in hand, if projects are ready to bid, if projects leverage partnerships, and if projects have already incurred eligible costs.

		Section 7038 Criteria									
Rank (9/2015)	Recipient	Project	Description	Acuity of Need	Readiness to Proceed	Cost Efficiency	Need to Ensure Geographic Distribution	Cost	Running Total	Leg. District	Notes
1	N/A Ecology wide cleanup	Yakima City Fire Department	Site sampling, monitoring, and closure.	1	1	1	Yakima	\$ 50,000	\$ 50,000	15	
2	N/A Ecology wide cleanup	Hart Seed Co	Proposed remedial actions will include the characterization and removal of any remaining petroleum contaminated soils.	1	1	1	Spokane	\$ 50,000	\$ 100,000	9	
3	N/A Ecology wide cleanup	Seattle Fire Station 25 (This is UST 7910, FS 7910 borders Idaho.)	Conduct limited investigation to determine if the site has natural attenuation and should be issued a no further action.	1	1	1	King	\$ 100,000	\$ 200,000	43	
4	N/A Ecology wide cleanup	Wahkiakum County Road Shop #3	Three soil samples and three groundwater samples to confirm an independent cleanup.	1	1	1	Wahkiakum	\$ 20,000	\$ 220,000	19	
5	N/A Ecology wide cleanup	Model Remedy Evaluation	Document and evaluate the effectiveness of the model remedies for leaking fuel tanks. Consider reduction in cleanup timeframes, costs and residual risks to human health and the environment.	1	1	1	Statewide	\$ 156,000	\$ 376,000	Statewide	Provides ability to evaluate model remedy projects that can be funded. Partial funding with Rank #23.
6	N/A Ecology wide cleanup	Dorsey Chevrolet	Proposed remedial actions will include the removal of accessible petroleum contaminated soils and soil sampling.	1	1	1	Whitman	\$ 50,000	\$ 426,000	9	
7	N/A Ecology wide cleanup	Ferris Auto Wrecking	Conduct limited investigation to determine if the site has natural attenuation and should be issued a no further action.	1	1	1	Snohomish	\$ 100,000	\$ 526,000	32	
8	N/A Ecology wide cleanup	City of Aberdeen Water Shop	Three soil samples and three groundwater samples to confirm an independent cleanup.	1	1	1	Grays Harbor	\$ 20,000	\$ 546,000	19	
9	N/A Ecology wide cleanup	Medic 1 Facility	Site sampling, monitoring, and closure.	1	1	1	Yakima	\$ 50,000	\$ 596,000	14	
10	N/A Ecology wide cleanup	Acme General Store	Conduct limited investigation to determine if the site has natural attenuation and should be issued a no further action.	1	1	1	Whatcom	\$ 100,000	\$ 696,000	42	
11	N/A Ecology wide cleanup	Elma School District 68	Three soil samples and three groundwater samples to confirm an independent cleanup.	1	1	1	Grays Harbor	\$ 20,000	\$ 716,000	24	

Section 7038 Criteria												
Rank (9/2015)	Recipient	Project	Description	Acuity of Need	Readiness to Proceed	Cost Efficiency	Need to Ensure Geographic Distribution	Cost	Running Total	Leg. District	Notes	
12	N/A Ecology wide cleanup	Ellensburg School District	Site sampling, monitoring, and closure.	1	1	1	Kittitas	\$ 50,000	\$ 766,000	13		
13	N/A Ecology wide cleanup	Dawson Trucking	Proposed remedial actions will include the removal of accessible petroleum contaminated soils, soil sampling and possible shallow groundwater sampling.	1	1	1	Stevens	\$ 62,500	\$ 828,500	7		
14	N/A Ecology wide cleanup	Larison and Sons Inc	Five soil samples and five groundwater samples to confirm an independent cleanup.	1	1	1	Pierce	\$ 20,000	\$ 848,500	29		
15	N/A Ecology wide cleanup	Lake Chelan School District Old High School	Site sampling, monitoring, and closure.	1	1	1	Chelan	\$ 50,000	\$ 898,500	12		
16	N/A Ecology wide cleanup	D & D Distributors	Proposed remedial action to include soil and groundwater sampling in the area of previously removed gasoline underground storage tank.	1	1	1	Columbia	\$ 75,000	\$ 973,500	16		
17	N/A Ecology wide cleanup	Associated Petroleum Products	Conduct limited investigation to determine if the site has natural attenuation and should be issued a no further action.	1	1	1	Skagit	\$ 100,000	\$ 1,073,500	39		
18	N/A Ecology wide cleanup	Chelan County Fire District 1	Site sampling, monitoring, and closure.	1	1	1	Chelan	\$ 50,000	\$ 1,123,500	12		
19	N/A Ecology wide cleanup	Jake's Exxon	Proposed remedial action to include petroleum contaminated soils (gasoline) removal and sampling and possible groundwater sampling.	1	1	1	Adams	\$ 62,500	\$ 1,186,000	9		
20	N/A Ecology wide cleanup	WA DNR North Bend	Conduct limited investigation to determine if the site has natural attenuation and should be issued a no further action.	1	1	1	King	\$ 100,000	\$ 1,286,000	5		
21	N/A Ecology wide cleanup	WA Department of Transportation Toledo Mantle Site	Three to four soil samples and three to four groundwater samples to confirm an independent cleanup.	1	1	1	Lewis	\$ 20,000	\$ 1,306,000	20		
22	N/A Ecology wide cleanup	Model Remedy Research and Development	Research and develop model remedies for leaking fuel tanks with ground water impacts and dry cleaning facilities.	1	1	1	Statewide	\$ 400,000	\$ 1,706,000	Statewide		
23	N/A Ecology wide cleanup	Model Remedy Evaluation	Document and evaluate the effectiveness of the model remedies for leaking fuel tanks. Consider reduction in cleanup timeframes, costs and residual risks to human health and the environment.	1	1	1	Statewide	\$ 94,000	\$ 1,800,000	Statewide	Partial funding with Rank # 5.	
24	N/A Ecology wide cleanup	Technology Review/Evaluation	Review and verify remedial technology proposals from qualified individuals as required by RCW 70.105D030(2)(k)(i).	1	1	1	Statewide	\$ 200,000	\$ 2,000,000	Statewide		
								Total 2015-17 Appropriation	\$ 2,000,000			
								Less 2015-17 Projected Funding	\$ (376,000)			
								Bond Backfill Needed	\$ 1,624,000			

Department of Ecology

ATTACHMENT C

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
Funding available for Cleanup Projects in 2015-17	\$ 18.4

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)
Bond backfill needed for 2015-17 expenditures	\$ 19.6

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

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

<i>Dollars in millions</i>	2015-17 New 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
Total Cleanup Projects	\$ 98.0		\$ 18.4

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

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

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

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

Operating Activities Funded with Model Toxics Control Act Dollars Shifted from General Fund - State (Ongoing)

Purpose: Identifies operating activity-level details of **ongoing fund shifts** from General Fund - State (GF-S) to the Model Toxics Control Act (MTCA) accounts (State Toxics Control (STCA), Local Toxics Control (LTCA) the Environmental Legacy Stewardship (ELSA)) from the 2009-11 Biennium thru the 2015-17 Enacted Budget.

9/24/2015

ATTACHMENT D

Budget Level	Budget Item	Rec Sum	Account-Type	Agency Total
15-17 PL	G03 Air Quality & Shorelands Fund Shift	General Fund-State expenditures for the Department of Ecology's Air Quality program and the Shorelands and Environmental Assistance program are shifted to the State Toxics Control Account on an ongoing basis.	173-1 State Toxics Control - State	9,600,000
13-15 PL	02 Air Quality Fund Shift	Work within the Air Quality Program related to preventing unhealthy air and violations of federal air quality standards is shifted on an ongoing basis from the state general fund to the State Toxics Control Account (STCA).	173-1 State Toxics Control - State	5,130,000
13-15 PL	04 Fund Shift to Toxics	State general fund expenditures are shifted on an ongoing basis to the STCA for activities in the Air Quality, Water Quality, Environmental Assessment, Shorelands and Environmental Assistance, and Administration Programs.	173-1 State Toxics Control - State	24,000,000
11-13 PL	07 Continued Pollution Control Fund Shift	Continuing a budget change initiated in the 2010 supplemental operating budget, the General Fund-State portion of activities that support cleaning up polluted waters, controlling stormwater pollution, and preventing point source and non-point source pollution is shifted, on a one-time basis, to the State Toxics Control Account.	173-1 State Toxics Control - State	5,000,000
11-13 PL	CB Local Shoreline Grants Fund Shift	Base funding of \$4.5 million is shifted permanently from General Fund State to the Local Toxics Control Account for grants to local governments engaged in Shoreline Master Program updates.	174-1 Local Toxics Control	4,500,000
Notes:	<p>1 Expenditures from the State and Local Toxics Control Accounts were subsequently partially shifted to ELSA (see 2013-15 Budget item 501). After realignment, net shifts from GF-S were: STCA \$35,044,261; ELSA \$13,185,739.</p> <p>2 See 2015-17 Biennium Budget Item A0 (Forest Practices Fund Exchange) Rec Sum - A portion of the state general fund support for the Forest Practices Program is shifted to the State Toxics Control Account on an ongoing basis.</p> <p>3 See 2009-11 Biennium Operating Budget Item HAD (Administration Fund Shift) Rec Sum - Administration expenses are shifted from the state general fund to the State Toxics Control Account.</p>			
				48,230,000
				5,438,000
				170,000
				53,838,000
				53,838,000

Capital Project Request

2015-17 Biennium

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Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/28/2015 11:36AM

Project Number: 30000667

Project Title: Centennial Clean Water Program

Description

Starting Fiscal Year: 2016

Project Class: Grant - Pass Through

Agency Priority: 5

Project Summary

The enacted 2015-17 capital budget funded the 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. (State Building Construction Account)

Project Description**What is the proposed project?**

Ecology administers the Centennial Clean Water Program (CCWP) per Chapter 70.146 RCW and Chapter 173.95A WAC, providing grants to finance construction of water pollution control facilities and implementation of nonpoint pollution control activities. Examples of projects funded by the CCWP include:

- Constructing wastewater treatment facilities in financially distressed communities, as required by water quality permits and enforcement orders, to meet state and federal water quality standards. Attachment A includes a list of potential hardship communities that may apply for funding for the 2017 funding cycle based on early discussions with stakeholders. The following communities are facing costly wastewater facility construction projects to address water quality and public health issues. They could not finance these projects without CCWP funding.

- Peshastin/Dryden needs to replace aging, outdated wastewater infrastructure to meet water quality criteria and protect the Wenatchee River. The estimated cost is over \$10 million.

- Toppenish needs to repair its leaky wastewater collection system to protect groundwater resources and public health. The estimated cost is between \$2 million and \$3 million.

- Concrete needs to repair its leaky wastewater collection system to correct ongoing problems with its wastewater treatment facility. The estimated cost is \$1 million.

- Programs for eliminating failing onsite sewage systems that cause public health hazards and water quality problems.

- Projects that reduce and eliminate nonpoint sources of pollution that impact the quality and beneficial uses of surface water and groundwater.

For Fiscal Year 2017, Ecology is requesting \$15 million in appropriation for statewide water quality implementation grants. Detailed project lists for this funding will be available in February 2016. Although it is difficult to predict annual need for funds, based on communication with stakeholders, Ecology expects demand in the range of \$20 to \$30 million.

What opportunity or problem is driving this request?**The reason for the project:**

Aging and new wastewater treatment infrastructure needs in small, financially distressed communities is a growing public health and water quality problem statewide. The cost of wastewater infrastructure creates a significant financial burden in these

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Project Title: Centennial Clean Water Program

Description

communities, and making such improvements is often not possible without CCWP grant assistance.

Ecology awards grant funds only for priority wastewater treatment facility projects where a community can demonstrate that funding its project through public sewer rates will cause a severe financial hardship to the residents of the community. Ecology will offer grant funds up to a maximum of \$5 million per project, based on a percentage of the total eligible project costs, to local governments demonstrating financial hardship.

Ecology also directs some grant funds to high priority water quality projects that address nonpoint pollution abatement where there is no dedicated rate base to pay for the project.

These projects are used as match to secure approximately \$3.7 million in annual federal funding from the Environmental Protection Agency (EPA) under Section 319 of the Clean Water Act. The Section 319 grant program requires a 40 percent state match.

The 2015-17 enacted capital budget funded CCWP at \$20 million- the least amount provided for this program in over 20 years as detailed in the table one. At this level there is only funding available for the Fiscal Year 2016 offer list, leaving no funding available for Fiscal Year 2017.

Table One: Centennial Clean Water Program Funding - Total

Dollars in Millions

Bien Biennial Total*

1995-97 \$57.5

1997-99 \$70.0

1999-01 \$62.5

2001-03 \$50.0

2003-05 \$46.1

2005-07 \$47.5

2007-09 \$66.9

2009-11 \$30.0

2011-13 \$34.1

2013-15 \$50.0

2015-17 \$20.0

**Including Supplemental changes*

The effects of non-funding:

Water quality and public health would be impacted statewide if these grant dollars are not available to address water quality facilities and activities projects. Without continued investment, many small communities would not be able to fix their aging and failing water quality infrastructure; watershed and water quality protection and improvement would be at risk; and past investments in water quality could be lost. This could slowly lead back to impairments and impact public health.

Nonpoint source projects funded through the CCWP have been tailored to meet the specific match requirements for the federal Section 319 grant program. On average, \$3.7 million a year in federal funds would be in jeopardy without the CCWP state match.

If funding is not provided, job creation (infrastructure construction jobs) and economic development (infrastructure capacity for growth) opportunities associated with these projects would not be realized.

How does the project support the agency and statewide results?

This request is essential to implementing Ecology's strategic priority to Deliver Integrated Water Solutions and Protect and Restore Puget Sound. This request funds projects for water pollution control infrastructure and projects that reduce nonpoint

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Description

pollution and nutrient discharges.

This request is essential to supporting two of the Governor's Results Washington Goals:

Goal 2, Prosperous Economy, by providing opportunities for quality jobs when a new onsite sewer system is constructed or an existing system is repaired or replaced.

Goal 3, Sustainable Energy and a Clean Environment, by:

- Improving energy and water efficiencies for wastewater and stormwater infrastructure.
- Repairing and replacing failing onsite sewage systems.
- Implementing riparian restoration and protection programs.
- Reducing nonpoint pollution through source control.
- Implementing water quality best management practices.

This request makes a key contribution to statewide results by:

- Providing statewide grants for high priority water quality projects that address Natural Resources strategies to Reduce Negative Impacts on the Environment; Preserve, Maintain and Restore Natural Systems and Landscapes; and Improve Individual Practices and Choices.

- Supporting salmon recovery efforts.

This request supports Ecology's integrated water quality financial assistance program by leveraging and augmenting loan funds through the Water Pollution Control State Revolving Fund (SRF) loan program and the Clean Water Act Section 319 federal grant program. These projects help local entities reduce pollution of our lakes, rivers, marine waters, and estuaries, and help protect groundwater and streams using CCWP grant funds.

This request also supports Puget Sound Action Agenda implementation through:

- Sub-strategy C6.3, Implementing Priority Upgrades of Municipal and Industrial Wastewater Facilities in Urban and Urbanizing Areas by providing funding to implement advanced treatment of wastewater treatment plants and reclaimed water infrastructure.

- Sub-strategy C5.3, Improving and Expanding Funding for Small Onsite Sewage Systems (OSS) and Local OSS Programs.

- Sub-strategy C3.1, Targeting Voluntary and Incentive-based Programs that Help Working Farms Contribute to Puget Sound Recovery.

What are the specific benefits of this project?

The CCWP provides funding to local governments and tribes for wastewater treatment, nonpoint source pollution control, and watershed and estuary management projects that achieve specific environmental and public health benefits, including:

- Eliminating public health hazards and environmental degradation.
- Achieving regulatory compliance with a consent decree, compliance order, Total Maximum Daily Loads (TMDLs), or waste load allocation.
- Restoring and protecting designated uses of Washington's waters, such as drinking water, aquatic habitat, and shellfish harvesting.

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Project Title: Centennial Clean Water Program

Description

Economic Impact: This project will also provide economic benefits to the state by creating up to 19.4 jobs during the next two years based on estimates from the Office of Financial Management.

How will clients be affected and services change if this project is funded?

Funding for this request is critical for local governments due to the increasing demand on funding sources for financial assistance and the continued increase in cost of water quality infrastructure projects. This appropriation will allow local governments to proceed with constructing important water pollution control facilities and implementing related nonpoint activities that contribute to meeting state and federal water pollution control requirements. These improvements contribute significantly to protecting and restoring water quality in Puget Sound and statewide; help small, financially distressed communities meet their clean water and public health needs; and improve economic growth and development.

Are FTEs required to support this project?

No.

How will the other state programs or units of government be affected if this project is funded?

Many local governments and tribes propose important water quality projects that cannot be fully funded with one funding source. This is especially true for small, financially distressed communities. Ecology works with local governments and other state and federal agencies to coordinate the funding and technical assistance for wastewater treatment facility projects. Together these agencies leverage funds to meet the financial situation of the community. Many small communities with large-scale projects use multiple funding sources, including the CCWP, the SRF, Public Works Assistance Account (PWAA), Community Development Block Grants, the State Tribal Assistance Grant Program, and U.S. Department of Agriculture Rural Development. Since CCWP helps subsidize priority wastewater treatment projects in financially distressed communities, it may be difficult for other agency funding programs to move these projects forward to construction without CCWP support. And the demand for CCWP funding is even greater this biennium due to the significant reductions in Commerce's budget for projects funded by the PWAA.

What is the impact on the state operating budget?

None

Why is this the best option or alternative?

Ecology's integrated funding approach, which includes CCWP grants, is the best mechanism for distributing money for water pollution control projects on an equitable, statewide, competitive basis that considers legal mandates, local efforts, ratepayer impacts, and water quality priorities.

What is the agency's proposed funding strategy for the project?

Ecology is requesting \$15 million for CCWP grants from the State Building Construction Account (SBCA), consistent with recent appropriation requests. The CCWP funding historically came from the Water Quality Account (WQA). During the 2009 legislative session, the Legislature consolidated the WQA into the General Fund-State. All revenue and expenditures were removed from the WQA and added to the General Fund-State.

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Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/28/2015 11:36AM

Project Number: 3000667

Project Title: Centennial Clean Water Program

Description

Proviso

None

Project Type

Grants

Grant Recipient Organization: Public entities eligible to receive funding per Chapter 70.146 RCW and Chapter 173.95A WAC

RCW that establishes grant: Chapter 70.146 RCW

Application process used

Ecology manages an integrated funding approach using a joint application, evaluation, and rating and ranking process for the State Revolving Fund, Centennial Clean Water Program, Stormwater Financial Assistance Program, and the Clean Water Act Section 319 federal grant program. The application period begins mid-August and continues through mid-October. Ecology staff screens, reviews, and rates and ranks the applications from November through December. We evaluate and assign points according to an objective rating system that identifies the highest priority water quality and public health needs statewide. In January, Ecology produces a draft priority project list for the Legislature to use during budget considerations. A draft list for all four programs is developed and becomes final on July 1 or sooner, contingent on capital budget appropriations. The Fiscal Year 2016 Final Offer and Applicant List is available on the Water Quality website: <http://www.ecy.wa.gov/programs/wq/funding/funding.html>.

Growth Management impacts

None

Funding

Acct Code	Account Title	Estimated Total	Expenditures		2015-17 Fiscal Period	
			Prior Biennium	Current Biennium	Reapprops	New Approps
057-1	State Bldg Constr-State	255,000,000				15,000,000
	Total	255,000,000	0	0	0	15,000,000

Future Fiscal Periods

Acct Code	Account Title	2017-19	2019-21	2021-23	2023-25
057-1	State Bldg Constr-State	60,000,000	60,000,000	60,000,000	60,000,000
	Total	60,000,000	60,000,000	60,000,000	60,000,000

Operating Impacts

No Operating Impact

Attachment A-List of Potential Wastewater Projects in Distressed Communities

Purpose: To provide a list of potential hardship communities that may apply for funding for the 2017 funding cycle based on early discussions with stakeholders.

9/16/2015

Community	Estimated Projects Costs
Albion, Town of	\$10,000,000
Asotin Public Utilities District	\$100,000
Carbonado, Town of	\$10,000,000
Clarkston, City of	\$2,000,000 - \$3,000,000
Colfax, City of	\$1,000,000
Concrete, Town of	\$1,000,000
Curlew, Town of	\$1,000,000
Dayton, City of	\$8,000,000 - \$10,000,000
Deer Park, City of	\$15,000,000
Endicott, Town of	\$2,000,000
Harrington, City of	To Be Determined
Mattawan, City of	\$2,000,000 - \$3,000,000
Morton, City of	\$10,000,000
Mossy rock, City of	\$500,000
Murdock, Town of (Dallesport Water District)	\$500,000
Oakesdale, Town of	\$1,000,000
Peshastin/Dryden	\$10,000,000 - \$15,000,000
Port Gamble S'Klallam Tribe	\$5,000,000
Republic, City of	\$1,000,000
Riverside, Town of	\$5,000,000
Royal City, City of	\$300,000 - \$800,000
Spangle, City of	\$500,000
Sprague, City of	\$2,000,000 - \$5,000,000
Tekoa, City of	To Be Determined
Toppenish, City of	\$1,000,000 - \$5,000,000
Vader, City of	\$6,000,000
Valley View Sewer District (3 projects)	\$6,000,000 - \$9,000,000
Warden, City of	\$3,000,000

Capital Project Request

2015-17 Biennium

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Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/28/2015 11:19AM

Project Number: 30000430

Project Title: Swift Creek Natural Asbestos Flood Control & Cleanup

Description

Starting Fiscal Year: 2016

Project Class: Grant - Pass Through

Agency Priority: 6

Project Summary

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. (State Building Construction Account)

Project Description**What is the proposed project?**

Ecology became involved in this project in 2006 due to concerns about Model Toxics Control Act liability. We worked with the Army Corps of Engineers to issue Whatcom County a 401 water quality certification for a 404 permit. The permit authorized Whatcom County to conduct additional dredging of Swift Creek.

As the Swift Creek project evolved over time, it became clear that neither Whatcom County nor the Environmental Protection Agency (EPA) had the resources alone to address the problems at this site. Subsequent discussions led Ecology to enter into a partnership with these agencies via a Joint Agency Agreement (JAA). This agreement details an interim strategy to reduce flood risks and reduce the transport of asbestos-containing sediment downstream and across the floodplain. Each party's commitment to the agreement and investments are noted below.

This request will fund construction of sediment traps, debris-flow deflection levees, and complete design and permitting for large sedimentation basins. Securing state funding will fulfill Ecology's commitment outlined in the JAA to share costs by seeking capital funding for building the sediment management facilities. Funding will be immediately put to use this biennium on engineering, design and permitting work. Ecology proposes this request be funded from the State Building Construction Account (SBCA) because the major long-term expense is constructing sediment basins to capture future sediment loading to alleviate flooding. This funding mechanism is consistent with how the Legislature has funded other flood control projects in Ecology's and other agencies' budgets. This request is for the first two years of funding needed; additional state funding will be needed in the 2017-19 biennium as outlined in the ten year detail. Consistent with the JAA, Ecology requests state capital appropriation to pass-through to Whatcom County through an interagency agreement.

Below is a cost summary of the specific tasks identified in this request:

Construction:

\$ 947,457 Construct sediment traps
 \$ 976,330 Construct Upper Deflection Levee
 \$ 163,619 Dredging to maintain flow under bridges
 \$ 200,000 Emergency dredging contingency
 \$2,287,406 Construction subtotal

Design and Permitting:

\$1,083,500 Engineering and design (for \$15 million project over four to six years)
 \$ 441,750 License/permit fees (for \$15 million project over four to six years)
 \$1,525,250 Design and permitting subtotal

\$3,812,656 Grand Total 2016 Supplemental Budget Request

Capital Project Request

2015-17 Biennium

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Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/28/2015 11:19AM

Project Number: 30000430

Project Title: Swift Creek Natural Asbestos Flood Control & Cleanup

Description

EPA and Whatcom County have made ongoing contributions and have additional responsibilities for the project under the JAA. Right now, Ecology assumes no significant land purchases will be needed to accomplish the proposed remedy. EPA is currently negotiating an access agreement with the largest affected landowner.

EPA has incurred approximately \$3 million in expenses on the Swift Creek project. A partial list of their expenditures includes:

\$ 514,000	Removal action to stabilize the sediment piles
\$ 925,000	Extensive four-year surface water turbidity study by U.S. Geological Survey
\$1,400,000	Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) work including activity based sampling, alternative sediment retention sites evaluation, engineering evaluation and cost analysis of cleanup alternatives.

Under the JAA, EPA's contributions include providing technical assistance and regulatory input for design and construction, excavating and/or stabilizing dredged materials, and transporting and placing dredged materials at staging areas. Whatcom County and its Flood Control Zone District contributions include assessing feasibility of rerouting a portion of Swift Creek to reduce transport of asbestos-containing sediment, undertaking alternatives analysis of potential repository locations, providing funds for routine operations and maintenance, and preparing annual reports for the project.

What opportunity or problem is driving this request?**The reason for the project:**

Because this contamination is naturally occurring, many agencies have been struggling to respond to the situation. Whatcom County does not have the financial resources to deal with this problem and has asked the state and federal governments for help. The federal government has provided significant staff time for technical assistance and funding for sediment testing and stabilizing existing sediment piles. The county makes annual investments in maintenance dredging. But, with no place to put the sediment, they will be unable to continue dredging in the future. Funding this request will begin investment in the interim strategy outlined in the JAA and demonstrate that the state is in partnership with these agencies to move toward a long-term solution to address this significant human health and environmental problem.

The effects of non-funding:

Failure to manage Swift Creek sediment according to this plan would result in the creek filling with sediment, overflowing its banks, and depositing asbestos and metals contaminated sediment on nearby farmland, residential lands, and wetlands. Specifically, it would likely spill over into un-impacted Breckenridge Creek and its high quality wetlands. This creek and associated wetlands are an important salmon spawning habitat. Sediment loading on the Sumas River would also increase. Eventually, dredging would be needed in that river too. And, as the sediment moves down the Sumas River, it would impact numerous farms and developed areas within the cities of Nooksack and Sumas and their urban growth areas. This happened in 2009 when a flood deposited sediment with asbestos concentrations in excess of 20 percent on the banks of the Sumas River. In comparison, materials containing more than 1 percent asbestos are regulated as 'asbestos containing materials' by the Clean Air Act.

Swift Creek also came very close to overflowing its banks in the spring 2014. Emergency dredging and levee repair by Whatcom County averted a flood.

Once the creek leaves its current channel, it is unlikely to return. The current channel is choked with sediment and is several feet above the surrounding land. The creek's flow, and the contaminated sediment it carries, is only confined to the channel by large dikes. The current extent of the filling creek channel since the last major dredging a few years ago is illustrated in the attached photos called "Attachment A."

Capital Project Request

2015-17 Biennium

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Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/28/2015 11:19AM

Project Number: 30000430

Project Title: Swift Creek Natural Asbestos Flood Control & Cleanup

Description**How does the project support the agency and statewide results?**

This project is essential to implementing a priority in Ecology's strategic plan of Preventing and Reducing Toxic Threats. This will be accomplished by capturing and removing sediment from Swift Creek before it flows into the Sumas River, which flows north to the Fraser River and then discharges to Puget Sound. Without this project, the creek bed would continue to:

- Fill up with sediment and overtop its banks.
- Flood and contaminate nearby lowlands and wetlands with naturally occurring asbestos and metals.
- Potentially impact several county roads and bridges, along with a number of private residences, farms, and businesses.

Managing Swift Creek sediment will:

- Reduce the need to dredge after the sediment has been deposited in the creek and adjoining areas.
- Protect the habitat from being smothered by sediment that is inhospitable to Pacific Salmon and other aquatic life.
- Clean up historic contamination and prevent further contamination of lands in the vicinity of the creek and Sumas River.
- Greatly reduce the impacts of the sediment loading from the landslide. For example, during rainfall events, the turbidity, nickel, and asbestos levels in these water bodies exceed water quality criteria.

This request is essential to support the Governor's budget and economic development priorities by investing funds to protect public health and natural resources. The Governor supported this request in his 2015-17 biennial budget proposal, and the request is essential to support the following Governor's Results Washington goals:

Goal 3/Goal Topic/Sub-Topic: Sustainable Energy and a Clean Environment/Sustainable and Clean Energy/Clean Transportation is

supported by this request because sediment traps reduce the amount of dredging, removal and hauling of material to a repository.

- 3.1.1** - Reduce transportation related greenhouse gas emissions from 44.9 mmt/year (projected 2020) to 37.5 mmt/year (1990) by 2020.

Goal 3/Goal Topic/Sub-Topic: Sustainable Energy and a Clean Environment/Healthy Fish and Wildlife /Pacific Salmon is supported by this request because salmon in the Sumas River will benefit from cleaning up Swift Creek.

- 3.2.2** - Increase the percentage of ESA listed salmon and steel-head populations at healthy, sustainable levels from 16 percent to 25 percent by 2022.

Goal 3/Goal Topic/Sub-Topics: Clean and Restored Environment /Healthy Lands/ Clean, Cool Water is directly supported by this request.

- 3.3.1** - Increase the number of contaminated sites cleaned up by 17 percent from 5,815 to 6,803 by 2020.
3.2.2 - Increase the percentage of rivers meeting good water quality from 43 percent to 55 percent by 2020.

This request makes a key contribution to statewide results by preserving, maintaining and restoring natural systems and landscapes. Building sediment management facilities to capture contaminated sediment will provide ongoing management and future safeguards to Swift Creek and the surrounding areas.

What are the specific benefits of this project?

Funding this request will prevent further threats to human health and the environment from the asbestos and metals in these sediments. It will also help protect Puget Sound (where these sediments will eventually discharge). While this doesn't support

Capital Project Request

2015-17 Biennium

*

Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/28/2015 11:19AM

Project Number: 30000430

Project Title: Swift Creek Natural Asbestos Flood Control & Cleanup

Description

new economic development, it does help preserve valuable farm land that could be irreversibly contaminated if Swift Creek or the Sumas River flood and smother fields with contaminated sediment.

Economic Impact: This project will also provide economic benefits to the state by creating up to 27 jobs during the next two years based on estimates from the Office of Financial Management.

How will clients be affected and services change if this project is funded?

Right now, Whatcom County is responding to Swift Creek sediment accumulations on an emergency basis when the sediment builds up to the point of causing Swift Creek to flow out of its channel. This request will invest in a planned, more systematic approach to managing the accumulated sediment. It will help fulfill the state's obligations under the JAA between Whatcom County, Ecology, and EPA.

Are FTEs required to support this project?

No FTEs are needed to support this project.

How will the other state programs or units of government be affected if this project is funded?

This request will allow local government to continue addressing this threat to human health and the environment from the asbestos and metals in these sediments.

This request was developed and shared with stakeholders and the Attorney General's Office. Those parties support this request. A letter of support from Whatcom County is included as "Attachment B." Also, several local legislators and representatives from the offices of Congressman Rick Larson, Senator Patty Murray, and Senator Maria Cantwell have been interested in addressing the problems at this site and have participated in conference calls, site visits, and other communications over this issue.

What is the impact on the state operating budget?

This will not impact the state operating budget.

Why is this the best option or alternative?

There are currently no alternative fund sources available. The county has requested funding for an Army Corps of Engineers project, but this funding is several years away, even in the best scenario.

What is the agency's proposed funding strategy for the project?

Ecology requests the state's portion of the project be funded through the SBCA because the Legislature has decided to fund other flood control projects in Ecology's and other agencies' budgets from this account. This request is consistent with that approach. Federal and local funding also support the project as described in the JAA.

Project Type

Grants

Capital Project Request

2015-17 Biennium

*

Version: S1 2016 Supplemental

Report Number: CBS002

Date Run: 9/28/2015 11:19AM

Project Number: 30000430

Project Title: Swift Creek Natural Asbestos Flood Control & Cleanup

Description

Grant Recipient Organization: Whatcom County

RCW that establishes grant: N/A

Application process used

N/A

Growth Management impacts

This project will help preserve farmland and open space, resulting in less pressure to redevelop these areas, supporting GMA.

Funding

Acct Code	Account Title	Estimated Total	Expenditures		2015-17 Fiscal Period	
			Prior Biennium	Current Biennium	Reappropriations	New Appropriations
057-1	State Bldg Constr-State	15,000,000				3,800,000
	Total	15,000,000	0	0	0	3,800,000

Acct Code	Account Title	Future Fiscal Periods			
		2017-19	2019-21	2021-23	2023-25
057-1	State Bldg Constr-State	11,200,000			
	Total	11,200,000	0	0	0

Operating Impacts

No Operating Impact

Expected Use of Bond/COP Proceeds

Agency No.	461	Agency Name	Department of Ecology
Contact Name:	Angie Wirkkala		
Phone:	360-407-7219	Fax:	
Fund(s) Number:	057	Fund Name:	State Building Construction Account
Project Number:	30000430	Project Title:	Swift Creek Natural Asbestos Flood Ctrl and Cleanup

1. Will any portion of the project or asset ever be owned by any entity other than the state or one of its agencies or departments? Yes No *Either Whatcom County or 3rd Party Trust*
2. Will any portion of the project or asset ever be leased to any entity other than the state or one of its agencies or departments? Yes No
3. Will any portion of the project or asset ever be managed or operated by any entity other than the state or one of its agencies or departments? Yes No *Either Whatcom County or 3rd Party Trust*
4. Does the project involve a public/private venture, or will any entity other than the state or one of its agencies or departments ever have a special priority or other right to use any portion of the project or asset to purchase or otherwise acquire any output of the project or asset such as electric power or water supply? Yes No
5. Will any portion of the Bond/COP proceeds be granted or transferred to nongovernmental entities or granted or transferred to other governmental entities which will use the grant for nongovernmental* purposes? Yes No
6. If you have answered "Yes" to any of the questions above, will your agency or any other state agency receive any payments from any entity, other than the state or one of its agencies or departments or any local government units, for the use of, or in connection with, the project or assets? Yes No
7. Will any portion of the project or asset, or rights to any portion of the project or asset, ever be sold to any entity other than the state or one of its agencies or departments? Yes No
8. Will any portion of the Bond/COP proceeds be loaned to nongovernmental entities or loaned to other governmental entities that will use the loan for nongovernmental purposes? Yes No
9. Will any portion of the project or asset be used to perform sponsored research under an agreement with a nongovernmental person, such a business corporation or the federal government, including any federal department or agency? Yes No

***Nongovernmental purposes is defined in the Glossary and examples provided in Section 4.3 of the Capital Budget Instructions.**

- If the answer to any one of questions 1 through 5 is yes and answers to 6, 7, and 8 are no, request tax exempt funding.
- If the answer to any one of questions 1 through 5 is yes and 6 is yes, request taxable funding from Fund 355.
- If the answer to all of questions 1 through 6 are no and the answer to either question 7 or 8 is yes, request taxable funding from Fund 355.
- If the answer to question 9 is yes, please provide a detailed explanation of the terms of any and all of such sponsored research agreements.

Attach this form to your project in CBS. The Office of the State Treasurer, bond counsel, or the Office of Financial Management may review this form for any projects requested in the budget.

ATTACHMENT A

Swift Creek photos comparing fall 2007 to June 2015

Attachment to Supplemental Budget Request,

Pete Kmet, July 2015

Oat Coles Road bridge - November, 2007



Oak Coles Road bridge – June, 2015



Looking east from Oat Coles Bridge - November, 2007



Looking east from Oat Coles Bridge – June, 2015



Goodwin Road Bridge - September, 2007



Goodwin Road Bridge - June, 2015



Looking west from Goodwin Road Bridge - October, 2007



Looking west from Goodwin Road Bridge - May 2015



Looking east from Goodwin Road Bridge - September 2007



Looking east from Goodwin Road Bridge - May 2015



**WHATCOM COUNTY
EXECUTIVE'S OFFICE**

County Courthouse
311 Grand Avenue, Suite #108
Bellingham, WA 98225-4082



Jack Louws
County Executive

The Honorable Jay Inslee,
Governor of the State of Washington
P.O. Box 40002
Olympia, WA 98504-0002

RE: Swift Creek Sediment Management

August 7, 2015

Governor Inslee,

The purpose of this letter is to reinforce the request from Whatcom County for the participation and support of the State of Washington in the management of the Swift Creek landslide sediment.

To address the regional and international impact of the significant sediment transported through the Swift Creek channel from the landslide on Sumas Mountain, Whatcom County (the County), the Whatcom County Flood Control Zone District (Flood Control Zone District), the Washington State Department of Ecology (Ecology), and the U.S. Environmental Protection Agency, Region 10 (EPA) entered into a Joint Agency Agreement (JAA) in March of 2014. This agreement establishes the roles, responsibilities and areas that each agency can contribute to address the naturally occurring asbestos sediment.

As outlined in the JAA, Whatcom County continues to seek funding from the State legislature to pay for the balance of the capital construction as outlined in the Swift Creek Sediment Management Action Plan.

I appreciate the ongoing effort by WA Department of Ecology. Your administration's continued participation in the working group with Whatcom County and EPA is critical to resolving this large and complicated sediment management problem. I look forward to accomplishing the next step in the JAA by securing the necessary State funding.

Sincerely,


Jack Louws
Whatcom County Executive

ELECTRONIC SUBMITTAL CONFIRMATION FORM

Agency Number: 461

Agency Name: Ecology

Agencies are required to provide electronic access to each decision package in their budget request as part of the submittal process. Confirm Option 1 or 2 below:

Option 1:

This agency posts all decision packages for our 2016 supplemental budget request to our public facing website at the following URL:

URL: <http://www.ecy.wa.gov/services/fs/15-17budget.html>

Option 2:

This agency does not post decision packages and has forwarded copies via e-mail to OFM.Budget@ofm.wa.gov.

These decision packages conform to our agency's ADA accessibility compliance policy.

Agency Contact: Valerie Pearson

Contact:

360/407-6985

Contact Phone:

Valerie.Pearson@ecy.wa.gov

Contact E-mail:

Date: October 5, 2015

Information Technology Addendum

Recsum Code and Title: Ecology Labor System Replacement

Brief Description: Ecology’s Time Management System (TMS) 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.

If this investment includes the use of servers, do you plan to use the state data center?

- Yes No, waiver received No, waiver not received Does not apply

Business Transformation – This set of criteria will be used to assess IT proposals supporting business changes to improve services or access to information for agency customers or citizens.

Business process improvement: Primary goal of the proposal is to transform an agency business process. This criterion will be used to assess the transformative nature of the project.

(INTENT: Incent agencies to take transformative projects that may include risk.)

This project will transform the business processes and data related to time and leave.

Ecology employees will realize the following benefits:

- Self-service access to time entry and submission.
- Self-service access to leave balances (projected and real time), leave requests entry and approval status.
- Electronic access to historical time and leave data. A valuable resource for employees.
- Ability to report time and leave data from remote locations throughout the state. The mobile configuration also serves as the platform for the ADA accessible system.
- Eliminates the need to estimate time worked on the timesheet.

Ecology managers will see the following benefits:

- Immediate access to employee schedules, leave requests, and time reporting details (including hours of work and account coding identifying where time was worked).
- Access to reporting data and other business decision support information.
- Rules based workflow for electronically routing timesheets and leave request for required approvals.

- Automates the process to establish a delegate to approve timesheets and leave requests during a scheduled absence.

The agency will realize the following benefits:

- Greatly reduces the errors related to time and leave processes (inaccurate or late time entry, incorrect labor cost allocations, overuse of leave balances).
- Facilitates accurate pay by automating business rules based on collective bargaining agreements (CBA), policy, rules and/or state and federal regulatory requirements. This greatly reduces risk to the agency.
- Automates the development of agency approved work schedules, assigning employees to work schedules, and tracking work schedule adjustments.
- Improves timely and accurate submission of premium pay, e.g., overtime, standby, assignment, and responder pay.
- Improves compliance with collective bargaining agreements (CBA), statutes, policies, and rules by replacing the current manual processes and enforcing consistency.
- Increases efficiency by eliminating duplicative processes and procedures.
- Eliminates the use of the three systems currently used to track employee leave – Ecology’s Leave Form System, TMS, and HRMS.
- Allows for the decommissioning of the agency’s TMS, a mainframe application developed in 1988 with limited support and update options.
- Eliminates the cost and resources to support internal legacy applications/processes that will be replaced by the new solution.
- Improves reporting to support future state and federal audits.
- Provides a modern rule-based engine to support efficient and timely updates to future business rule, CBA, policy or regulatory changes.
- Ensures compliance with Family and Medical Leave Act (FMLA) leave accruals and liquidations. This is an area of substantial risk, because Ecology uses manual processes to ensure compliance with FMLA standards.
- Reduces risk by addressing findings and recommendations similar state agencies have received from the U.S. Department of Labor and the State Auditor’s Office.
- Eliminates the need for employees, managers and site managers to print, route and store required forms (timesheet, leave request, site log, etc.)

The legislature and governor’s office will realize the following benefits:

- Access to timely and accurate labor reporting data for decision making.
- Implementation of a time and leave solution framework that is extensible to other state agencies to realize similar benefits/efficiencies.
- The ability for the agency to effectively and efficiently comply with new statutes, rules, policies and CBA changes.
- Realization of the assets acquired during the prior enterprise project.

Agency customers will realize the following benefits:

- Improved quality of data and timely reporting for site cleanup logs and invoices.

Risk mitigation: Primary goal is to mitigate risks associated with transformative initiatives. This criterion will be used to determine if the initiative provides adequate resources to mitigate risks associated with a transformative initiative. Risk planning may include budgeting for independent quality assurance, organizational change management, training, staffing, etc.

(INTENT: Drive business value by encouraging risk taking that is well managed.)

This project's risk mitigation strategy includes the following:

- Use the assets of the prior enterprise project:
 - Significant work was performed by the prior project to develop the requirements, select a vendor that can meet those requirements, produce the design, configure and test the solution, and build the implementation plans.
 - This project intends to use those prior assets, which will greatly reduce the risk commonly associated with similar projects (e.g. selecting a vendor that can adequately meet the requirements, understanding price/cost models, design and configuration scope, schedule, etc.)
- The agency also intends to acquire specialized resources for this project to further reduce the risk and increase the opportunity for success. This includes the following:
 - Organizational Change Management (OCM) – the OCM plan will be updated and executed with contracted resources to ensure the “people side” of the transition is successful.
 - Project Management – contracted project management resources will be acquired to deliver the project. These resources will have extensive experience working with the State of Washington and the selected vendor, as well as experience implementing similar time and leave initiatives. This will escalate the onboarding time and ensures a higher level of confidence in the delivery of the new solution.
 - External Project Quality Assurance – contracted external quality assurance resources will be procured to ensure the transformative project has a healthy start with appropriate planning and governance, ongoing assessments, and practical guidance to stay on track and meet deployment goals.
- Utilize plans and documents that were previously developed as a pilot agency for the enterprise project with little or no modifications:
 - Project charter, project management plan, resource plan, and risk/issue management plan.
 - Fully developed test plan and test cases, cutover plan, training implementation plan, communication plan, post go-live support, and .
- Utilize knowledgeable teams and staff resources that were previously established and are still in place:
 - Ecology steering committee
 - Project team and work stream leads
 - Subject matter experts
 - Testing expertize
 - Ecology champions network (41 identified staff)
 - Trainers (51 identified staff)

Customer-facing value: Add value in short increments. This criterion will be used to determine if the initiative provides “customer-facing value” in small increments quickly to drive agile strategy.

(INTENT: Drive agencies to producing value more quickly and incrementally.)

This project will produce value for its customers, the employees and managers of Ecology immediately upon cutover to production. The Absence Compliance Tracker (ACT) module of the EmpCenter product is fully configured for Ecology. We expect our Human Resources office will be using the ACT module to track Family Medical Leave and military leave within six months of restarting the project. The selected pilot group will be the first group within Ecology to realize the full system functionality and benefits – 9 months after the project start date. The entire agency will realize the full system functionality and benefits 12 months after the project start date. The most obvious source of value will be in the elimination of duplicate data entry and duplicate data reconciliation.

Open data: New datasets exposed. This criterion will be used to assess if the initiative will increase public access to searchable, consumable machine-readable data from agencies.

(INTENT: Drive agencies to make more data available to citizens. We also value making data available internally for better decision making.)

This project will include the ability to combine data from the new solution with the state’s existing Human Resources Management (HRMS) and financial (AFRS) systems in a datamart. This resource greatly increases the agency’s ability to view, assess and make business decisions based on this data. Because this is a shared resource, OFM and other qualified consumers would have access to and benefit from this reporting capability.

Other agency business processes that support external customers/stakeholders will have access to improved information. Cleanup site logs and supporting invoice detail will now be captured electronically. This will reduce the invoice cycle time, provide better data to the receiving entity and greatly assist agency attorneys during negotiations and settlement proceedings with liable parties. Budget managers will have timely access to data to perform timely spend analysis and support requests from state and federal funding stakeholders.

***Transparency/accountability:* Project is clear, measurable, and immediate. This criterion will be used to assess if the initiative specifies the following: (1) Are the goals articulated? (2) Are performance outcomes identified, quantified and measurable? (INTENT: Award more points for better project and outcome performance measures.)**

Goal 1:

- The project is delivered on time, within the specified budget and accepted by the customer.
- Performance measure:
 - o Project is implemented (customer signoff) in 12 months within the budget allocated in this decision package.

Goal 2:

- Adopt the solution and transition the business processes with minimal operational impact to the agency.
- Performance measures:
 - o Transition to the EmpCenter solution does not impact the agency's ability to conduct the monthly, quarterly, or fiscal year financial close following go-live.
 - o The agency's payroll process and corresponding timeline are not negatively impacted.

Goal 3:

- Ensure agency management, supervisors, and end users are engaged and informed during the implementation and empowered after the go-live to manage their time and leave data.
- Performance measures:
 - o 95 percent of all agency employees attend training during the implementation.
 - o At least two-thirds of all agency employees report being adequately informed during implementation readiness surveys.

Goal 4:

- Improve compliance with statutory, regulatory, and collective bargaining agreement rules.
- Performance measure:
 - o There continue to be 0 state and federal audit findings related to time and leave processes following the implementation of the solution.

Goal 5

- Reduce the duplication of effort to support time and leave processes.
- Performance measures:
 - o Timekeeper reentry of data is no longer required for over 98 percent of employees (excluding Washington Conservation Corps (WCC) and Ecology Youth Corps (EYC), since supervisors have to report time for these field staff).
 - o With the exception of WCC and EYC, all employees use the solution to submit time and enter leave requests.

Goal 6

- Improve the accuracy of timekeeping and labor distribution data.
- Performance measure:
 - o Errors reported in time and leave captured are reduced by 90 percent.

Goal 7

- Automate the manual process of managing approved work schedules (assignment, adjustments, etc.)
- Performance measures:
 - o Agency employees using the solution have an assigned work schedule.
 - o Changes to work schedules can be viewed/reported.

- Only approved schedules can be assigned.

Goal 8

- Decommission outdated agency time and leave systems
- Performance measure:
 - The following systems are no longer used by Ecology for current time and leave processes following the completion of the implementation
 - Time Management System (TMS)
 - Automated Leave Form System
 - Internal cost reporting system – T3

Goal 9

- Ensure compliance with Family and Medical Leave Act (FMLA) leave accruals and liquidations.
- Performance measure:
 - Following implementation, all new FMLA cases are created and managed using the new solution.

Performance Measure Detail:

<i>Performance Measure Code</i>	<i>Performance Measure Title</i>
001656	Number of Agency Audit Findings

Technology Strategy Alignment – This set of criteria will be used to assess the alignment of the request to the larger technology strategy of the state.

***Security:* Improve agency security. This criterion will be used to assess the improvements to the overall security posture for an agency.**

(INTENT: Award additional points to projects where intent is to improve the security across an agency.)

Existing manual processes result in multiple paper copies of potentially sensitive time and leave data (e.g. FMLA). Even with best practices applied, it is very difficult to secure, preserve and control the distribution of the information contained on the paper. In addition, the legacy systems this project will replace do not conform to the state’s current security standards. As a result, the overall security posture for the agency is improved with the implementation of this project.

The security of the EmpCenter system planned for this initiative has been evaluated and validated by WaTech against the state’s standards. Sensitive data will be stored securely and role-based security will limit access to this information.

***Modernization of state government:* Cloud first. This criterion will be used to assess if the initiative will result in replacing legacy systems with contemporary solutions that drive our cloud-first strategy.**

(INTENT: Drive agencies to look more intently at leveraging cloud-based solutions.)

As previously mentioned, the systems that currently support the agency's time and leave business processes are outdated, have very little or no application support, and would be costly to update/remediate to keep current.

The EmpCenter system will be deployed as a cloud-based, Commercial Off-the-Shelf (COTS) solution. Once the EmpCenter system is fully deployed the agency's current systems can be decommissioned. The benefits of cloud delivery of EmpCenter include: reduced infrastructure costs, incremental software updates (cloud updates are far less disruptive than on-premise upgrades), worry-free administration (Workforces manages behind the scenes), improved scalability (easy to add new employee groups or locations), anywhere access (from web enabled devices), and predictable costs (per employee fees).

***Mobility:* New mobile services for citizens. This criterion will be used to assess the contribution of the initiative to support mobile government services for citizens and a mobile workforce.**

(INTENT: Drive agencies to look for ways to deliver results and services that are accessible to citizens from mobile devices. While we also value mobility for employees, we place greater value on mobility for citizens.)

The EmpCenter system supports anywhere access for employees from any web enabled device. Ecology employees will have greater freedom in how they access and interact with work hour, schedule, and time off data. Employees will be able to submit time off requests and/or work hours from any web-enabled device with no browser limitations, plug-ins to install or apps to download. The mobile configuration also serves as the platform for the ADA accessible system.

***Interoperability:* Adds value in six months. This criterion will be used to determine if the initiative provides a technology system or software application that distributes, consumes or exchanges data.**

(INTENT: Drive agencies to acquiring and/or developing systems that are interoperable across the state enterprise.)

This project utilizes the work previously developed under the enterprise initiative. During that initiative the Integration Layer was developed to establish a technology framework for automating the extract, transform, load (ETL) processes between enterprise-wide systems.

At the beginning of this new project the EmpCenter product will be configured with the integration layer to enable the exchange of data with the state's Human Resource Management System (HRMS), AFRS financial system, and data mart. This provides the ability for EmpCenter to consume (e.g. employee information from HRMS or project codes from AFRS) and distribute (e.g. payroll data to HRMS) data.

The integration layer will also facilitate data transfer with the agency's internal reporting and cost recovery invoicing applications. These dependent systems consume data to support critical internal business processes.

In addition to this project, data from this new solution can be combined with other information throughout the enterprise to support future projects and the resulting solutions.

Financial – This set of criteria will be used to assess the initiative’s financial contribution, including the extent the initiative uses other fund sources, reduces cost for the state, or captures new or unrealized revenue.

Captures new or unrealized revenue: This criterion is calculated based on the amount of new or unrealized revenue captured by the end of the 2017-19 biennium as a proportion of total investment. To get the full points in this category, projects must capture at least five times the amount of the investment by the end of the 2017-19 biennium.

Does not apply. This project does not generate revenue.

Reduces costs: This criterion is calculated based on the amount of cost reduction by the end of the 2017-19 biennium as a proportion of total investment. To get the full points for this criterion, projects must reduce costs by at least two times the amount of the investment by the end of the 2017-19 biennium.

This project will not reduce costs. We do anticipate cost avoidance related to timekeeping, payroll and human resources staffing levels, but the minor staff savings will be redistributed to higher level work.

Leverages federal/grant funding: This criterion is to calculate the degree in which projects are funded by federal or grant dollars. Projects that are fully funded by federal or grant sources receive full points.

Does not apply. This project is not funded by federal grant dollars.