

The Governor's 2010 supplemental operating budget for Ecology includes an overall decrease of \$11.8 million and 26.5 FTEs. This includes reductions totaling \$15.7 million and partially offsetting increases of \$3.9 million (additions primarily for health care costs, Pollution Liability Insurance Agency [PLIA] merger into Ecology and litigation). Some key highlights regarding the Governor's budget:

- Overall State General-Fund (GF-S) appropriations are reduced by \$8.1 million and 20.9 FTEs.
- Dedicated environmental fund transfers to the general fund total \$84.1 million and include:
 - \$45.2 million Local Toxics Control Account
 - \$36.6 million State Toxics Control Account
 - \$2.0 million Litter Account
 - \$0.3 million Water Quality Capital Account
- Authority to use available dedicated environmental fund balances are provided for a handful of non-litigation related priority activities including:
 - \$673 K to match revenue increases required in statute and specifically authorized during the 2009 legislative session (biosolids and electronic product recycling).
 - \$440 K for water quality loan oversight for new federal capitalization grants consistent with funding guidelines from the Environmental Protection Agency.
 - \$109 K to initiate efforts to bring the Tacoma area back into compliance with federal Clean Air Act (CAA) standards and avoid economic implications of non-attainment with the CAA.

Including the Governor's proposed 2010 supplemental budget, overall Ecology's budget and the dedicated environmental funds we manage have been significantly impacted by the economic downturn.

- \$268.3 million (over a quarter billion dollars) in dedicated environmental funds transferred to the State General-Fund since the 2009 supplemental budget.
- \$34.0 million in operating budget cuts since the beginning of the 2007 – 09 biennium (7.3% reduction).
- \$22.1 million in State General Fund/Water Quality Account cuts since the beginning of the 2007 – 09 biennium (16.7% reduction).
- 72.5 FTE reduction per the OFM BASS system.
- \$3.3 million increase in General Fund-Private Local funding as we cost recover more work (24% increase).

Below is a summary of the Operating Budget.

Maintenance Level Changes

- 1. Reduce Debt Service for Wall Repair** ~ (\$186,000) State General Fund and (\$240,000) various other funds ~ This will reduce Ecology's spending authority for repairs to the Lacey Ecology building. Ecology received authority to use a Certificate of Participation (COP) to finance rebuilding the Lacey building east wall. In May 2009, Ecology re-negotiated the total cost of the project and reduced the original estimate of \$11,000,000 by \$3,590,000, bringing the principal amount financed to \$7,410,000. Expenditure authority will be reduced by \$426,000 to reflect the new lower project cost.
- 2. Average Final Compensation (SB 6157)** ~ \$16,000 State General Fund and \$24,000 from various other funds ~ This item moves State Employee Compensation Adjustments into individual agency budgets. Funding was provided in the 2009-11 budget for increased employer contributions in the Public Employees' Retirement System (PERS) and School Employees' Retirement System (SERS). This increase was required by Chapter 430, Laws of 2009, which included the following in calculating members' final average compensation: *any pay foregone by the member during the 2009-11 biennium through reduced work hours; voluntary leave without pay; or temporary furloughs that are part of the employer's efforts to reduce expenditures.*

Policy Level Changes

Climate Change and Air Quality

3. **Meeting New Federal Air Standards** ~ \$109,000 Air Pollution Control Account and 0.6 FTE ~ Funding and staff are provided through 2013 to analyze, identify, and implement clean air strategies designed to return Pierce County to compliance with federal standards. In October 2009, federal regulators declared areas of Pierce County to be in violation of federal clean air standards for fine particle pollution—such as smoke and soot—that present significant public health risks. The area has until 2012 to develop a pollution reduction plan, and must meet clean air standards by 2014 or face federal sanctions and penalties.
4. **Reduce Air Quality Program Staffing** ~ (\$300,000) State General Fund and (1.7) FTEs ~ Two positions are cut from the Air Quality Program to achieve General Fund-State savings. This will reduce the amount of air quality information collected and made available to the public. The diesel retrofit program in eastern Washington will end. The overall impact of this reduction is less data-informed air quality investments and continuing exposure to toxic soot.

Water for Local Communities and Healthy Watersheds

5. **Managing Clean Water Loans** ~ \$440,000 state and federal Water Pollution Control Revolving Funds and 1.8 FTEs ~ Ecology will manage increased capital dollars available for low-interest loans to local governments. Ecology operates the state Water Pollution Control Revolving Fund Loan Program, which provides low-interest loans to local governments for high-priority wastewater treatment facility projects. The competitive process used to award the loans and ongoing loan oversight is funded in the Operating Budget; the money to be loaned is in the Capital Budget. Increased federal funding and increased loan repayments have resulted in more money available for loans in the 2009-11 biennium. This increase for loan administration and oversight is consistent with federal guidelines.
6. **Reduce Monitoring Staffing** ~ (\$200,000) State General Fund and (1.1) FTEs ~ A position that monitors the effectiveness of water cleanup plans implemented under the federal Clean Water Act is cut to achieve ongoing savings. This will result in less knowledge of how pollution reductions and other improvements are impacting the aquatic habitat.
7. **Reduce Shorelands Program Staffing** ~ (\$354,000) State General Fund and (2.0) FTEs ~ One watershed planning position is eliminated, and future vacant positions are managed to achieve the second FTE reduction. This will reduce Ecology's capacity to address water supply issues in the eastern region of the state.
8. **Reduce Water Quality Staffing** ~ (\$204,000) State General Fund and (1.2) FTEs ~ The Water Quality Program will use a flexible approach to managing vacancies to achieve ongoing General Fund-State savings. This will reduce Ecology's capacity to address water quality issues statewide.
9. **Reduce Watershed Planning** ~ (\$5,309,000) State General Fund and (5.2) FTEs ~ The Shorelands and Environmental Assistance Program's technical and financial assistance to local watershed management groups and related administration is reduced on an ongoing basis. \$300,000 of remaining Fiscal Year 2011 funding for this activity is designated for pass-through incentive grants to merge watershed planning and watershed-based salmon recovery efforts into a single, integrated process by the beginning of Fiscal Year 2012. These incentive grants will be distributed by the Recreation and Conservation Office. Ecology will use \$235,000 of remaining Fiscal Year 2011 funding for an existing implementation grant for Water Resource Inventory Area (WRIA) 32. Finally, the remaining \$100,000 dedicated for watershed planning is for Ecology to complete close-out tasks for this activity to prepare for eliminating all funding after Fiscal Year 2011.

- 10. Reduce Water Resources Staffing** ~ (\$1,044,000) *State General Fund* and (2.5) *FTEs* ~ Activities reduced on an ongoing basis include setting instream flows, water rights adjudication, water resources data management, water use efficiency, and related funding for administration. This will result in a significant reduction in setting instream flows for fishery needs, less data for defensible water right decision making, and less funding for improving water use efficiency state wide.
- 11. Increase Use of Cost Reimbursement** ~ (\$235,000) *State General Fund* and \$235,000 from *private/local General Fund* ~ This shifts \$235,000 from the State General Fund to General Fund-Private/Local to reflect Ecology's increased use of cost reimbursement agreements for water rights processing. Under state law, water rights applicants may enter into agreements to reimburse Ecology for using a private consultant to evaluate their water rights applications, plus any previously filed applications for the same water source. It is likely these cost reimbursement dollars will not materialize. This will result in an additional budget reduction in water rights processing.

Reducing Health Risk from Toxic Chemicals

- 12. Biosolids** ~ \$400,000 *Biosolids Permit Account* ~ This increased spending authority allows Ecology to spend additional revenue generated from a 2009 Legislature-approved fee increase. The state Biosolids Program provides oversight, permitting, and assistance for sewage treatment plants and other facilities that generate, treat, and use biosolids. Biosolids are a product of wastewater treatment containing nutrients that can be used as a soil supplement. But, they also contain small amounts of pollutants and microorganisms that must be properly managed to protect public health and the environment. State law requires the regulatory program to be fully supported by fees. The 2009 fee increase was for activities like permitting, inspections, and technical assistance.
- 13. NW Interstate Compact Litigation** ~ \$220,000 *Site Closure Account* ~ One-time funding will provide legal defense related to a Northwest Interstate Compact (NWIC) lawsuit. Washington is a member of the NWIC and hosts a facility where regional generators send their low-level radioactive waste for disposal. As the host state of this facility, Washington receives permit fee revenue to support NWIC operations, including providing legal counsel. The NWIC is defending itself against a lawsuit filed in Utah by Energy Solutions regarding a site they operate in Utah. The case is going to appeal and is expected to last up to two years.
- 14. Electronic Product Recycling** ~ \$273,000 *Electronic Products Recycling Account* and 1.2 *FTEs* ~ Ecology will use this money to maintain return share data software; oversee sampling events at recycler and processor locations; respond to phone calls from the public on where to take electronics for recycling; and to purchase, research, and analyze market share data used to develop the annual manufacturer fee tiers. In 2006, the Legislature passed the Electronic Product Recycling law. This law requires manufacturers of televisions, computers, and monitors to provide recycling services to consumers at no charge, effective January 1, 2009. Manufacturers also are directed to fully pay the costs of running Ecology's Electronic Product Recycling Program (E-Cycle Washington), and the 2009 Legislature specifically authorized Ecology to raise the fee to fully cover the costs of the program.
- 15. Reduce Toxic Cleanup Staffing** ~ (\$3,501,000) *State Toxics Control Account* and (8.0) *FTEs* ~ This reduction to funding and staff is ongoing, and includes eliminating positions that oversee cleanups, and related funding for administration.
- 16. Reduce Litter Pickup** ~ (\$2,039,000) *Waste Reduction, Recycling, and Litter Control Account* and (1.5) *FTEs* ~ This is a one-time funding and staff reduction for litter pickup activities managed by Ecology, other state agencies, and local governments. This includes reduced administration funding. One million dollars in remaining litter pickup funding is dedicated to litter pickup along interstate highways, with focus on maximizing use of correctional crews.

- 17. Reduce Hazardous Waste Staffing** ~ (\$500,000) *State Toxics Control Account and (0.5) FTE* ~ This one-time reduction to the Hazardous Waste Program will result in less data analysis and limited availability of hazardous waste information for communities.
- 18. Reduce Solid Waste Staffing** ~ (\$273,000) *State Toxics Control Account and (0.7) FTE* ~ One-time reductions in this program means local health jurisdictions that regulate solid waste handling and disposal facilities will get less technical assistance and oversight from the state.
- 19. Merge PLIA With Ecology** ~ \$808,000 *State Pollution Liability Insurance Program Trust Account and the Heating Oil Liability Trust Account, and 3.0 FTEs* ~ This will provide ongoing funding and staff to merge the Pollution Liability Insurance Agency with Ecology. Proposed legislation will accomplish this merge, to be effective July 1, 2010.
- 20. Teck Cominco Litigation** ~ \$350,000 *State Toxics Control Account* ~ One-time funding is provided for Attorney General services and expert witness costs associated with the Pakootas et al vs. Teck Cominco, Ltd. case concerning toxic cleanup in the upper Columbia River. Ecology and the Confederated Tribes of the Colville Reservation are co-plaintiff's in this litigation, which addresses the liability under the federal cleanup law of a smelter complex located in British Columbia for cleanup and natural resources restoration in the upper Columbia River.

Technical and Administrative

- 21. I-297 Legal Defense Repayment** ~ This reduces the State Toxics Control Account (STCA) appropriation supported by the Mixed Waste Management Fee (MWFs), increases the STCA appropriation supported by other revenue sources (zero-sum appropriation change to STCA), and reduces the MWF revenue to accomplish a requested pay-back. The Cleanup Priority Act (Initiative 297) was passed by voters in 2004, then challenged in court, finally overturned, and is no longer being implemented. MWF funds were spent in the 2003-05 biennium for the legal defense of the Initiative. The federal courts upheld the challenge, and MWF payers have requested repayment of the MWF funds used to pay litigation costs. MWFs are one of several revenue sources deposited into the STCA.
- 22. Manage Administrative Vacancies** ~ (\$318,000) *State General Fund and (1.8) FTEs* ~ The Administration Program will use a flexible approach, based on business needs and savings potential, to managing vacancies to achieve ongoing General Fund-State savings.
- 23. 5% Administrative Reduction** ~ (\$370,000) *State General Fund, (\$817,000) various other funds, and (5.3) FTEs* ~ Administrative costs will be reduced by five percent on an ongoing basis by cutting staff positions and making other reductions. These cuts will affect financial management, communication, facilities management, and other administrative functions.
- 24. Eliminate Advisory Groups** ~ (\$2,000) *State General Fund, (\$12,000) various other funds, and (0.1) FTE* ~ Funding and staff are reduced to reflect proposed legislation eliminating the Agricultural Burning Practices and Research Task Force, the State Solid Waste Advisory Committee, and the Well Drilling Technical Advisory Committee. The affect will be less or no resources to facilitate stakeholder input and participation in Ecology decision-making. Ecology will have reduced stakeholder input and participation in these areas.
- 25. Health Insurance Cost Increase** ~ \$436,000 *State General Fun and \$798,000 from various other funds* ~ Washington State employees' medical and health insurance expenditures are projected to exceed budgeted levels. With the current trend, the Public Employees Benefits Board (PEBB) fund is expected to have a negative fund balance exceeding \$200 million. Increases in revenues will be accomplished by using the entire Premium Stabilization Reserve; transferring \$35 million from the Incurred But Not Received (IBNR) reserve account; and modifying point of service costs (e.g., deductibles) for PEBB plan offerings beginning in calendar year 2011. The current Fiscal Year 2011 monthly contribution rate of \$768 is increased to \$830 to make up the remaining fund deficit.

Department of Ecology 2010 Supplemental Operating Budget Request

01/12/2010	\$ in thousands - Biennialized FTEs	Governor's Budget 01/12/10			
		FTE	GF-S	Other	Total
2009-11 Base Budget		1,548.1	118,356	327,271	445,627
2010 Maintenance Level Changes					
1. Reduce Debt Service for Wall Repair			(186)	(240)	(426)
2. Avg. Final Compensation (SB 6157)			16	24	40
2010 Policy Changes					
Climate Change and Air Quality					
3. Meeting New Federal Air Standards		0.6		109	109
4. Reduce Air Quality Staffing (part of 2% Gov. reduction)		(1.7)	(300)		(300)
Water for Local Communities and Healthy Watersheds					
5. Managing Clean Water Loans (1)		1.8		440	440
6. Reduce Monitoring Staffing (EAP - part of 2% Gov. red.)		(1.1)	(200)		(200)
7. Reduce Shorelands Staffing (part of 2% Gov. reduction)		(2.0)	(354)		(354)
8. Reduce Water Quality Staffing (part of 2% Gov. red.)		(1.2)	(204)		(204)
9. Reduce Watershed Planning		(5.2)	(5,309)		(5,309)
10. Reduce Water Resources Staffing		(2.5)	(1,044)		(1,044)
11. Increase Use of Cost Reimbursement (Water Resources)(2)			(235)	235	0
Reducing Health Risk from Toxic Chemicals					
12. Biosolids				400	400
13. NW Interstate Compact Litigation				220	220
14. Electronic Product Recycling -Non Appropriated Acct.(3)		1.2		273	273
15. Reduce Toxic Cleanup Staffing		(8.0)		(3,501)	(3,501)
16. Reduce Litter Pickup		(1.5)		(2,039)	(2,039)
17. Reduce Hazardous Waste Staffing		(2.0)		(500)	(500)
18. Reduce Solid Waste Staffing		(0.7)		(273)	(273)
19. Merge PLIA with Ecology(4)		3.0		808	808
20. Teck Cominco Litigation				350	350
Technical & Administrative					
21. I-297 Legal Defense Repayment(5)					0
22. Manage Administrative Vacancies (part of 2% Gov. red.)		(1.8)	(318)		(318)
23. 5% Administration Reduction		(5.3)	(370)	(817)	(1,187)
24. Eliminate Advisory Groups		(0.1)	(2)	(12)	(14)
25. Health Insurance Cost Increase			436	798	1,234
Total Changes		(26.5)	(8,070)	(3,725)	(11,795)
Total Proposed Operating Budget		1,521.6	110,286	323,546	433,832

NOTES:

1. Governors budget provides \$1.9 M in GF-S match per updated federal appropriation numbers (appropriation for match is in special appropriation section - not directly in Ecology budget) .
2. This fund shift will likely not be supported by additional GF-PL resources. Therefore, this will likely be a non-specific \$235 K cut to the water resources program and the work they support.
3. This request is for spending authority from a non-appropriated account.
4. Total PLIA transfer is \$808 K (\$494 K is from a non-appropriated account).
5. This item results in a zero sum STCA appropriation change (HST revenue is used instead of MWF revenue to execute this pay-back to the federal government).