

| Operating 9/20/2019 \$ in thousands - Biennialized FTEs 2019-21 Enacted Base Budget | | 2020 Supplemental Budget Request Summary | | | | |
|---|------------------------------------|--|----------|---------|---------|---------|
| | | FTE | GF-State | MTCA | Other | Total |
| Maintenance Level Changes | | | | | | |
| 1 | Crude Oil Volatility Litigation | | 1,210 | | | 1,210 |
| 2 | Hanford Cleanup Litigation | | | | 1,710 | 1,710 |
| 3 | Manchester Lab Facility Costs | | | 109 | 27 | 136 |
| 4 | Lease Adjustments >20,000 sq. ft. | | 6 | 26 | 9 | 41 |
| Policy Level Changes | | | | | | |
| Reduce and Prepare for Climate Impacts | | | | | | |
| 5 | Clean Energy (E2SSB 5116) | 1.9 | 502 | | | 502 |
| Prevent and Reduce Toxic Threats | | | | | | |
| 6 | Funding for Oil Spills Program | | | 5,200 | | 5,200 |
| 7 | Support Voluntary Cleanups | 2.2 | | 668 | | 668 |
| 8 | Hanford Dangerous Waste Permit | 1.8 | | | 498 | 498 |
| 9 | Cleanup & Study PFAS Contamination | 1.2 | | 1,036 | | 1,036 |
| 10 | Homeless Encampments Waste Cleanup | | | 1,500 | | 1,500 |
| 11 | Local Source Control Program | | | 750 | | 750 |
| 12 | Support Rural Brownfields Cleanup | | | 500 | | 500 |
| 13 | Safer Products Washington | 0.6 | | 479 | | 479 |
| Deliver Integrated Water Solutions | | | | | | |
| 14 | Streamflow Restoration Fund Shift | | 310 | | (310) | - |
| 15 | GW Monitoring to Reduce Risks | 1.5 | 378 | | | 378 |
| 16 | Small Communities WQ Assistance | 0.6 | | | 350 | 350 |
| Protect and Restore Puget Sound | | | | | | |
| 17 | Puget Sound Freshwater Monitoring | 1.2 | 748 | | | 748 |
| 18 | Nutrient Controls for Puget Sound | 1.2 | 535 | | | 535 |
| Other | | | | | | |
| 19 | Funding WCC Local Partnerships | 7.7 | | | 3,658 | 3,658 |
| 20 | NWRO Relocation | | 270 | 1,262 | 610 | 2,142 |
| 21 | Ecology Security System Failure | | 94 | 442 | 214 | 750 |
| 22 | Cloud Services Team | 1.2 | 47 | 220 | 129 | 396 |
| Total Changes | | 20.9 | 4,100 | 12,192 | 6,895 | 23,187 |
| Total Proposed Operating Budget Request | | 1,756.5 | 64,046 | 249,839 | 299,686 | 613,571 |

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

As the state’s lead environmental agency, the mission of the Washington State Department of Ecology (Ecology) is to protect and preserve the environment for current and future generations, while valuing and supporting Washington’s economic success. We are tackling challenges that are unique to our times and require us to take a broad and holistic approach to our work that focuses on not only what we do, but also how we do it. At Ecology, we are specifically focused on:

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

Ecology's 2020 Supplemental Operating Budget request totals \$23.1 million. It reflects a recovering economy, and accounts for changes made to the Model Toxics Control Act (MTCA) and its primary funding source, the Hazardous Substance Tax (HST), during the 2019 legislative session. This operating budget request is needed to:

- Implement enacted clean energy legislation from the 2019 session.
- Support legal costs incurred by the Attorney General's Office (AGO) related to pending litigations involving Ecology.
- Fund key facility and information technology needs, including the relocation of Ecology's Northwest Regional Office, which was partially funded in the enacted 2019-21 Biennial Budget.
- Maintain existing core environmental work, including funding for oil spill responses, Washington Conservation Corps crews, streamflow restorations, voluntary cleanups, and local source control work done by local government partners.
- Protect Puget Sound and the Southern Resident Orcas through improved water quality monitoring and nutrient controls.
- Assist local communities with environmental issues, including contaminants in drinking water, redevelopment of contaminated sites, water quality infrastructure needs, and the impacts of solid waste problems due to growing homeless encampments.
- Meet permit obligations with the U.S. Department of Energy related to Hanford cleanup.

Support of our operating budget request is primarily from dedicated environmental funds and direct charges to customers for services provided.

ESSB 5993: Reforming the financial structure of the model toxics control program

The passage of Engrossed Substitute Senate Bill (ESSB) 5993 (Chapter 422, Laws of 2019) made major changes to the MTCA accounts and the HST. As described in section 101 of the bill, its purpose was to update the Model Toxics Control Program and its primary funding mechanism through the following changes:

- Increase funding for programs and projects related to clean air, clean water, and toxic cleanup and prevention, with specific focus on stormwater pollution.
- Provide distinct and transparent financial separation of capital and operating budget funding.
- Improve the transparency and visibility of operating and capital project expenditures under the program.
- Eliminate the volatility of HST revenues by moving to a volumetric rate for liquid petroleum products.

Account Changes

ESSB 5993 eliminated the three prior MTCA Accounts—the State Toxics Control Account (STCA), the Local Toxics Control Account (LTCA), and the Environmental Legacy Stewardship Account (ELSA). It replaced them with three new accounts—the Model Toxics Control (MTCA) Operating Account, the Model Toxics Control (MTCA) Capital Account, and the Model Toxics Control (MTCA) Stormwater Account.

The authorized uses of the new accounts are similar to the prior MTCA accounts and include all of Ecology's previously authorized uses.

Revenue Changes

ESSB 5993 changed the HST structure for liquid petroleum products from a value-based tax to a volume-based tax (<https://dor.wa.gov/find-taxes-rates/other-taxes/hazardous-substance-tax>). Starting July 1, 2019, the HST rate on liquid petroleum products is \$1.09 per barrel, and will increase annually by the Implicit Price Deflator (IPD) for non-residential structures. The Department of Revenue (DOR) will use the IPD for non-residential structures published each March by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA), for the prior calendar year to set the new per-barrel rate for the upcoming fiscal year.

The first \$50 million per biennium of liquid petroleum tax revenue is deposited into the Motor Vehicle Fund (MVF). The revenue deposited into the MVF must be used exclusively for transportation stormwater purposes. This deposit will continue each biennium until the Legislature passes a new \$2 billion “additive transportation funding act.”

The remaining liquid petroleum product revenue is deposited into the three new MTCA accounts:

- 60 percent into the MTCA Operating Account.
- 25 percent into the MTCA Capital Account.
- 15 percent into the MTCA Stormwater Account.

Revenue from all other substances subject to the HST, including non-liquid petroleum products and certain pesticides and chemicals, is still taxed at 7/10 of one percent of the wholesale value of the substance. Those revenues are deposited into the MTCA Capital Account.

A Conservative Approach

Ecology was conservative in building its 2020 Supplemental Budget requests supported by MTCA, understanding that August 2019 was the first month of revenue collections under the new HST structure, and much is still unknown about how ESSB 5993 will affect future revenue collections. As we learn more about how actual revenue collections come in over the next few years, Ecology looks forward to working with our stakeholders, the Governor’s office, and Legislature in determining how best to use the funding available to address the state’s environmental priorities.

Funding for Oil Spills Program

Washington has the lowest per capita spills rate in the nation. The Oil Spill Prevention Account (OSPA) and Oil Spill Response Account (OSRA) help fund Ecology’s Spill Prevention, Preparedness, and Response Program. However, an upcoming OSPA fund balance shortfall, and depletion of the OSRA due to prolonged and costly oil spill response at the former Olympia Brewery that began last biennium, will jeopardize our capacity to respond to spills or carry out our ongoing prevention and preparedness work in the future. Ecology’s *Funding for Oil Spills Program* budget request proposes a multi-step solution for stabilizing the projected OSPA fund balance through the 2027-29 Biennium, and providing additional cash and appropriation authority needed to respond to oil spills this biennium.

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

Maintenance Level

- 1. Crude Oil Volatility Litigation. \$1,210,000.** North Dakota and Montana filed a petition with the Pipeline and Hazardous Materials Safety Administration (PHMSA) seeking a preemption declaration for Engrossed Substitute Senate Bill (ESSB) 5579, which contains vapor pressure limits for in-state receipt of crude oil by rail. North Dakota also intends to file a federal lawsuit challenging the law on Commerce Clause grounds. Because Ecology is charged with implementing the vapor pressure limit, the Office of the Attorney General (AGO) will bill Ecology for defending the bill in both forums. Ecology is requesting appropriation, consistent with the AGO's budget request, to cover the costs of this defense. (General Fund - State)
- 2. Hanford Cleanup Litigation. \$1,710,000.** The Attorney General's Office (AGO) is requesting funding to compel the U.S. Department of Energy (USDOE) to meet its Hanford cleanup deadlines that USDOE has failed to meet. Specifically, USDOE has failed to meet the federal consent decree from the *Washington v. Perry* litigation, requiring Hanford cleanup deadlines. Additionally, Ecology may issue a determination requiring USDOE to design new storage tanks as a contingency measure. If so, USDOE will likely appeal that determination. Legal service needs in both situations will entail substantial AGO staff resources and a need to hire specialized experts, which the AGO will then bill Ecology for the costs. Ecology is requesting appropriation, consistent with the AGO's budget request, to cover these increased legal costs. (Radioactive Mixed Waste Account)
- 3. Manchester Lab Facility Costs. \$136,000.** Ecology shares space with the Environmental Protection Agency (EPA) at their Manchester Environmental Laboratory in Kitsap County. Ecology has been notified by EPA that costs have increased as of January 2019. This request is for a maintenance level increase in Fiscal Year 2021 to cover the additional costs to ensure that core environmental laboratory analysis will continue to inform Ecology's important environmental work and the work of other state agencies, tribes, and local partners. This work helps protect, preserve, and enhance Washington's environment for current and future generations. (Model Toxics Control Operating Account, Water Quality Permit Account)
- 4. Lease Adjustments < 20,000 sq. ft. \$41,000.** This request is for a maintenance level lease increase for Ecology's Central Regional Office in Union Gap, WA. The work done at this facility benefits Ecology, other state agencies, tribes, and local partners and helps protect, preserve, and enhance Washington's environment for current and future generations. (Multiple Funds)

Policy Level

Reduce and Prepare for Climate Impacts

- 5. Clean Energy. \$502,000, 1.9 FTE.** The Clean Energy Act (E2SSB 5116), passed in 2019, transitions Washington's electric utilities to carbon neutrality, starting in 2030. Utilities may invest in energy transformation projects that offset their carbon footprint. Ecology will set the criteria and requirements for these projects. The 2019-21 Operating Budget provided only partial funding to implement E2SSB 5116, so Ecology is requesting the additional funding needed to implement the Act.

Funding will support required rulemaking for 1) the greenhouse gas (GHG) content calculation; 2) emissions rate for unspecific electricity; and 3) energy transformation project requirements. It will also provide a lifecycle GHG emissions analysis of waste management practices and support Ecology's participation in a transmission corridors workgroup. (General Fund-State)

Prevent and Reduce Toxic Threats

- 6. Funding for Oil Spills Program. \$5,200,000.** The Legislature passed the Oil Transportation Safety Act in 2015 and Strengthening Oil Transportation Safety Act in 2018 to address rapid changes in how crude oil is moving through rail corridors and over state waters. This new work was funded by one-time revenue transfers from the Oil Spill Response Account (OSRA) to the Oil Spill Prevention Account (OSPA), and by adding oil imported by rail and pipeline to the barrel tax. However, Ecology's prevention and preparedness work is ongoing, and there is insufficient revenue, long term, to continue implementing all aspects of our regulatory obligations. Couple an upcoming shortfall in OSPA with the depletion of the OSRA due to a prolonged and costly spill response at the former Olympia Brewery in Tumwater that began last biennium, and Ecology needs additional resources to replenish and stabilize two of the state's primary funding sources that support oil spill prevention, preparedness, and response work. Related to Puget Sound Action Agenda implementation. (Oil Spill Prevention Account, Oil Spill Response Account, Model Toxics Control Operating Account)
- 7. Support Voluntary Cleanup. \$668,000, 2.2 FTE.** Washington's cleanup law, the Model Toxics Control Act (MTCOA), allows owners of contaminated properties to perform cleanups and achieve regulatory closure either independently or under Ecology's supervision. Through the Voluntary Cleanup Program (VCP), Ecology provides owners of contaminated sites with technical assistance and opinions on the sufficiency of independent cleanups. Over the last several years, VCP funding has not kept pace with the demand for services, which has delayed or discouraged many voluntary cleanups. This request will allow Ecology to provide timely assistance and regulatory closure to people who voluntarily clean up contaminated properties. It will support VCP's purpose to encourage cleanup and facilitate redevelopment of contaminated properties in Washington that are essential to the economic prosperity and public health of our communities. Related to Puget Sound Action Agenda Implementation. (Model Toxics Control Operating Account)
- 8. Hanford Dangerous Waste Permit. \$498,000, 1.8 FTE.** Ecology assumed responsibility for managing the Hanford dangerous waste permit from the U.S. Department of Energy (USDOE) in 2015. Since then, permit management, configuration, and control has proven to be extremely resource intensive due to the size and complexity of the permit. Ecology has added some regulatory and information technology (IT) capacity since 2015, but the remaining work scope required to reissue the permit by 2023 still exceeds Ecology's current permit management and IT staffing capacity. This request will provide funding to complete staffing of Ecology's Nuclear Waste Program's Permit Management and IT teams so the agency can meet its reissuance commitments to USDOE by 2023, and ensure effective administration of the new permit moving forward. (Radioactive Mixed Waste Account)
- 9. Cleanup & Study PFAS Contamination. \$1,036,000, 1.2 FTE.** Per- and polyfluorinated alkyl substances (PFAS) are a group of over 4,700 synthetic organic chemicals used in consumer and industrial applications, including cookware, carpets, and food packaging. One common PFAS use is in certain types of firefighting foam—used by the U.S. military, local fire departments, airports and others. There is little toxicity or safety data for most of the PFAS in use, and they remain in the environment for a long time. The extent of the impact of PFAS compounds in Washington's environment is an emerging issue. This request will provide funding for Ecology to 1) build PFAS analytical capacity at the Manchester Laboratory; 2) sample wastewater treatment plant influent, effluent, and biosolids at three municipal wastewater facilities receiving industrial discharges; and 3) provide cleanup technical assistance to communities impacted by PFAS contamination in their water supply systems. Related to Puget Sound Action Agenda Implementation (Model Toxics Control Operating Account)

- 10. Homeless Encampments Waste Cleanup. \$1,500,000.** Homelessness is an increasing solid waste problem for Washington's cities and counties. Local health and public works departments are primarily responsible for enforcing the rules and regulations of solid waste handling, and ensuring local hazardous and solid waste plans are implemented. However, cities and counties do not have a dedicated fund source to address the health and environmental effects of homelessness in their communities. A primary impact of homeless encampments is the illegal disposal of solid waste (tent, mattresses, abandoned RV filled with chemical and human waste) and runoff from untreated sewage. Ecology requests funding to provide one-time financial assistance grants to local governments to help clean up solid, hazardous, and infectious waste generated by these encampments. (Model Toxics Control Operating Account)
- 11. Local Source Control Program. \$750,000.** Through our Local Source Control (LSC) Partnership, Ecology provides funding to 21 local government partners who provide hands-on technical and regulatory assistance to small businesses across the state. This assistance includes helping them safely manage their hazardous waste to prevent spills, protect against stormwater pollution, and prevent injuries to employees. Our local partners are also key implementers of the new Chemical Action Plan (CAP) "swap out" program, funded in the 2019-21 Capital Budget. This request replaces one-time federal funding that ended in the 2017-19 Biennium so that the Partnership can maintain its current level of service through the 2021-23 Biennium. Related to Puget Sound Action Agenda Implementation. (Model Toxics Control Operating Account)
- 12. Support Rural Brownfields Cleanup. \$500,000.** There are about 13,000 sites on Ecology's Confirmed and Suspected Contaminated Sites List, and 6,000 of these are awaiting further investigation and cleanup. A portion of these sites are located in underserved, small, rural, and/or disadvantaged communities. To facilitate cleanup and encourage reuse of properties in these communities, Ecology requests one-time funding to offer assessment or limited cleanup of selected properties with high redevelopment potential. Ecology will collaborate with local governments in rural communities to identify publicly-owned properties or ones where private owners will allow site access and investigation. (Model Toxics Control Operating Account)
- 13. Safer Products Washington. \$479,000, 0.6 FTE.** In 2019, the Legislature passed Substitute Senate Bill 5135 (SSB 5135), requiring Ecology to identify chemicals that pose serious threats to human health and the environment. Ecology must now identify consumer products that are significant sources of those chemicals and determine whether safer alternatives exist. Ecology requests one-time funding to conduct preliminary toxicological analyses on a small number of safer alternatives to determine if they are in fact safer, assess the economic impacts on businesses and communities of switching to these products, and strengthen our outreach within areas of the state that experience a disproportionate amount of exposure to toxics. (Model Toxics Control Operating Account)

Deliver Integrated Water Solutions

- 14. Streamflow Restoration Fund Shift (\$310,000 GF-S / -\$310,000 Fund 22K).** In 2018, the Legislature passed Engrossed Substitute Senate Bill 6091 (ESSB 6091) and established a new streamflow restoration program in response to the "Hirst decision". The legislation required a new fee on new residential permit exempt well users in certain watersheds across the state. A portion of that fee, which is collected by local governments, is remitted to Ecology on an annual basis and used to support the new streamflow program. To date, revenue collections are significantly lower than projected in the fiscal note for ESSB 6091, and Ecology requires a fund shift from Fund 22K to General Fund-State in order to maintain our existing level of service for the new program. (Watershed Restoration and Enhancement Account and General Fund-State)

- 15. GW Monitoring to Reduce Risks. \$378,000, 1.5 FTE.** Groundwater in the Lower Yakima Valley aquifer is contaminated with elevated concentrations of nitrate, and is the principal drinking source for over 56,000 residents in the area. The Lower Yakima Valley developed a groundwater management area (GWMA) to address this significant health issue. The GWMA Advisory Committee has now finalized their implementation plan for reducing groundwater nitrate contamination in the area, and are now ready to move forward with implementation. To support this effort, Ecology requests ongoing funding and staff resources to conduct groundwater monitoring and take action to reduce nitrate contamination in the GWMA. Groundwater monitoring is a required element in WAC 173-100-100(6)(b), needed to evaluate the effectiveness of the program, and will inform local efforts moving forward. (General Fund – State)
- 16. Small Communities WQ Assistance. \$350,000, 0.6 FTE.** Small communities often lack the resources needed to plan for water quality infrastructure projects that meet federal requirements for project and financial planning, environmental review, public process engagement, and long-term asset management. Ecology coordinated with other state agencies under the Sync Infrastructure System Improvement Team and identified a critical need for increased technical assistance and capacity building for Washington’s smaller communities. Ecology requests ongoing funding for small community engineering and technical assistance to improve and protect state and federal investments in local clean water infrastructure. Related to Puget Sound Action Agenda Implementation. (Water Pollution Control Revolving Administration Account)

Protect and Restore Puget Sound

- 17. Puget Sound Freshwater Monitoring. \$748,000, 1.2 FTE.** The Salish Sea is experiencing serious impacts from excess nutrient inputs, climate change, and ocean acidification. A healthy marine food web is essential to regional efforts to recover salmon and Southern Resident orca populations and to support the commercial, tribal, and recreational shellfish industries. Ecology lacks continuous freshwater nutrient monitoring that is vital to our ability to assess nutrient loading impacts on Puget Sound from watersheds. This request will add continuous monitoring for dissolved oxygen, pH, nitrate, turbidity, temperature and conductivity, and targeted storm event sampling at the mouth of the seven largest rivers discharging to Puget Sound. The data collected will support a nutrient reduction strategy for Puget Sound and help inform decisions around the need for future infrastructure investments across the region. Related to Puget Sound Action Agenda Implementation. (General Fund – State)
- 18. Nutrient Controls for Puget Sound. \$535,000, 1.2 FTE.** The health of Puget Sound is threatened by human sources of excess nutrients, which cause low dissolved oxygen. Recent modeling shows wastewater treatment plants significantly contribute excess nutrients into the Sound, and additional action is needed to better control this pollution. Ecology requests funding to develop a Puget Sound Nutrients General Permit for wastewater treatment plants to reduce nutrient pollution through a coordinated and transparent public process. This request supports orca and salmon recovery and protection, the Puget Sound Action Agenda’s Marine Implementation Strategy, and the Puget Sound Nutrient Source Reduction Project. Related to Puget Sound Action Agenda Implementation. (General Fund – State)

Other

- 19. Funding WCC Local Partnerships. \$3,658,000, 7.7 FTE.** The Washington Conservation Corps (WCC) collaborates with state, federal, and local organizations to complete environmental restoration and enhancement projects statewide. The mix of our partner organizations changes from biennium to biennium, and over the last decade, the program’s reliance on private/local projects has continued to grow. In 2019-21, a reduction in funding available from two of our state partners required Ecology to secure an even greater number of private /local projects this biennium in order to avoid cutting crews. This request supports the additional private/local appropriation authority needed to maintain the WCC’s current 388.5 members and

staff. WCC uses a cost-share model, in which partners provide 75 percent of the total funding needed to operate these crews. (General Fund – Private /Local)

- 20. NWRO Relocation. \$2,142,000.** Ecology’s lease for its Northwest Regional Office (NWRO) in Bellevue expires June 30, 2021. The Office of Financial Management’s (OFM) 2017-23 Six-Year Facilities Plan includes the relocation of the NWRO into the Department of Transportation’s (WSDOT) Shoreline facility by June 30, 2021, and both Ecology and WSDOT have finalized the business requirements and space needs required to validate this co-location. However, Ecology’s 2019-21 budget request to support the project was only partially funded and is insufficient to complete the required work. This request supports the additional funding needed to successfully relocate the NWRO into the WSDOT facility in Shoreline by the time our current lease expires. (Multiple Funds)
- 21. Ecology Security System Failure. \$750,000.** Ecology’s current facility key card access system is outdated, unable to meet current business and security needs, and must be replaced. The current system, which serves about 2,000 employees, tenants, support personnel, and contractors at nine facilities across the state, malfunctions regularly, and at times takes a month or more to repair. The current system is also housed on a centralized 2008 Microsoft Server platform that, by the end of 2019, will no longer be supported by Microsoft and cannot be migrated to another server. This request would provide funding for a new system that is comparable, if not identical, to the one recently installed on the Capital Campus in Olympia. This request will help ensure the safety of both staff and visitors at Ecology facilities and enable agency personnel to effectively respond to security incidents that may occur. (Multiple Funds)
- 22. Cloud Services Team. \$396,000, 1.2 FTE.** With investments projected to continue increasing, cloud computing technology is a foundational element of the state’s digital business landscape moving forward. A February 2018 Gartner, Inc. research publication predicted that through 2020, 80 percent of organizations will initially overspend their cloud infrastructure as a service (IaaS) budgets due to lack of cost optimization governance or misguided spending commitments. To successfully integrate and implement cloud computing technical services at Ecology, we must have the technical skills, expertise, and capacity needed to design and deliver ongoing, effective, and cost efficient cloud-base solutions—both now and in the future. This request will provide funding for Ecology to establish two key leadership positions needed to support cloud computing readiness, platforms, and applications within the agency’s Information Technology Services Office. (Multiple Funds)

Capital

2020 Supplemental Budget Request
Summary

9/20/2019 \$ in thousands - Annual FTEs

| | | FTE | SBCA | MTCA Capital | Other | Total |
|---|--|-----|------|-----------------|-------|---------------|
| Prevent and Reduce Toxic Threats | | | | | | |
| 1 | 40000286 2020 Eastern Washington Clean Sites Initiative - Pasco Landfill | - | | 1,000 | | 1,000 |
| 2 | 40000288 2020 Remedial Action Grants | - | | 23,700 | | 23,700 |
| Total Enacted Capital Budget | | - | - | 24,700 | - | 24,700 |

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

As the state’s lead environmental agency, the mission of the Washington State Department of Ecology (Ecology) is to protect and preserve the environment for current and future generations, while valuing and supporting Washington’s economic success. We are tackling challenges that are unique to our times and require us to take a broad and holistic approach to our work that focuses on not only what we do, but also how we do it. At Ecology, we are specifically focused on:

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

Ecology’s 2020 Supplemental Capital Budget request totals \$24.7 million. It reflects a recovering economy, and accounts for changes made to the Model Toxics Control Act (MTCA) and its primary funding source, the Hazardous Substance Tax (HST), during the 2019 legislative session. This capital budget request is supported entirely by Model Toxics Control Capital Account funds and is needed to:

- Promote local economic development through the cleanup of contaminated sites for redevelopment.
- Create jobs.
- Address local environmental and public health priorities.

ESSB 5993: Reforming the financial structure of the model toxics control program

The passage of Engrossed Substitute Senate Bill (ESSB) 5993 (Chapter 422, Laws of 2019) made major changes to the MTCA accounts and the HST. As described in section 101 of the bill, its purpose was to update the Model Toxics Control Program and its primary funding mechanism through the following changes:

- Increase funding for programs and projects related to clean air, clean water, and toxic cleanup and prevention, with specific focus on stormwater pollution.
- Provide distinct and transparent financial separation of capital and operating budget funding.
- Improve the transparency and visibility of operating and capital project expenditures under the program.
- Eliminate the volatility of HST revenues by moving to a volumetric rate for liquid petroleum products.

Account Changes

ESSB 5993 eliminated the three prior MTCA Accounts—the State Toxics Control Account (STCA), the Local Toxics Control Account (LTCA), and the Environmental Legacy Stewardship Account (ELSA). It replaced them with three new accounts—the Model Toxics Control (MTCA) Operating Account, the Model Toxics Control (MTCA) Capital Account, and the Model Toxics Control (MTCA) Stormwater Account.

The authorized uses of the new accounts are similar to the prior MTCA accounts and include all of Ecology's previously authorized uses.

Revenue Changes

ESSB 5993 changed the HST structure for liquid petroleum products from a value-based tax to a volume-based tax (<https://dor.wa.gov/find-taxes-rates/other-taxes/hazardous-substance-tax>). Starting July 1, 2019, the HST rate on liquid petroleum products is \$1.09 per barrel, and will increase annually by the Implicit Price Deflator (IPD) for non-residential structures. The Department of Revenue (DOR) will use the IPD for non-residential structures published each March by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA), for the prior calendar year to set the new per-barrel rate for the upcoming fiscal year.

The first \$50 million per biennium of liquid petroleum tax revenue is deposited into the Motor Vehicle Fund (MVF). The revenue deposited into the MVF must be used exclusively for transportation stormwater purposes. This deposit will continue each biennium until the Legislature passes a new \$2 billion "additive transportation funding act."

The remaining liquid petroleum product revenue is deposited into the three new MTCA accounts:

- 60 percent into the MTCA Operating Account.
- 25 percent into the MTCA Capital Account.
- 15 percent into the MTCA Stormwater Account.

Revenue from all other substances subject to the HST, including non-liquid petroleum products and certain pesticides and chemicals, is still taxed at 7/10 of one percent of the wholesale value of the substance. Those revenues are deposited into the MTCA Capital Account.

A conservative approach

Ecology was conservative in building its 2020 Supplemental Budget requests supported by MTCA, understanding that August 2019 was the first month of revenue collections under the new HST structure, and much is still unknown about how ESSB 5993 will affect future revenue collections. As we learn more about how actual revenue collections come in over the next few years, Ecology looks forward to working with our stakeholders, the Governor's office, and Legislature in determining how best to use the funding available to address the state's environmental priorities.

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

New Capital Projects

Prevent and Reduce Toxic Threats

- 1. 2020 Eastern Washington Clean Sites Initiative. \$1 million.** 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 sites protects public and environmental health, creates jobs, and promotes economic growth as the sites are redeveloped. This funding will continue the initiative to have a statewide cleanup program by making investments outside of the Puget Sound Basin and Western Washington. (Model Toxics Control Capital Account)

Ecology is requesting that \$1 million be added in the 2020 Supplemental to Ecology's Eastern Washington Clean Sites Initiative to support Franklin County in their remediation activities at the Pasco Landfill. The Pasco Sanitary Landfill site has historically accepted and placed industrial waste, as well as municipal solid waste (MSW), in several Zones (Zones A through E) throughout the landfill. An estimated 35,000 55-gallon

drums of flammable solvent and paint sludge, degreasers, and other hazardous materials were placed in Zone A of the landfill. Underground temperatures within Zone A indicate smoldering or subsurface combustion has occurred in the recent past. Ecology is requiring the potentially liable persons (PLPs) to proceed with a final full-site cleanup action under a consent decree. This cleanup action will include removal and off-site disposal of approximately 35,000 buried drums containing a large variety of industrial wastes.

- 2. 2020 Remedial Action Grants. \$23.7 million.** Ecology manages the Remedial Action Grant (RAG) program to help local governments clean up contaminated sites in Washington. This request will fund pass-through grants for ready-to-proceed projects and actual spending requirements for the 2020 supplemental period in the 2019-21 Biennium. RAGs support continued cleanup of Puget Sound and cleanup at contaminated industrial sites that impact the air, land, and water resources of the state. This grant funding will protect public and environmental health, create jobs, promote economic redevelopment by allowing contaminated properties to be redeveloped, and leverage local match funding for this work. Related to Puget Sound Action Agenda Implementation. (Model Toxics Control Capital Account)