

<b>Operating</b>	<b>Governor Inslee's 2018 Supplemental Proposal</b>			
12/14/2017 \$ in thousands - Biennialized FTEs	FTE	GF-State	Other	Total
2017-19 Base Budget	1,611.9	42,288	453,309	495,597
<b>Maintenance Level Changes</b>				
1. Minimum Wage Costs		32	243	275
2. Other ML Changes		(3,050)	2,314	(736)
<b>Policy Level Changes</b>				
<b>Reduce and Prepare for Climate Impacts</b>				
3. Ocean Acidification	0.9	194		194
<b>Prevent and Reduce Toxic Threats</b>				
4. Oil Spills Program and Funding	3.1		979	979
5. Funding Oil Spill Planning-Nonfuel	0.4		81	81
6. Regulating Antifouling Paint	0.4		80	80
7. Carbon Reductions	0.6	123		123
<b>Other</b>				
8. Modernize and Migrate Data Center	1.2	180	1,363	1,543
9. Bellingham Field Office Relocation		29	223	252
10. Correct Corpsmember Minimum Wage			226	226
11. Other Compensation & Central Service Changes		97	462	559
<b>Total Changes</b>	<b>6.5</b>	<b>(2,395)</b>	<b>5,971</b>	<b>3,576</b>
<b>Total Proposed Operating Budget Request</b>	<b>1,618.3</b>	<b>39,893</b>	<b>459,280</b>	<b>499,173</b>

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

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.

The Governor's proposal for Ecology's Operating Budget totals \$3.6 million. This funding is needed to:

- Implement voter passed initiatives related to the state minimum wage.
- Fund enacted oil spill prevention and preparedness legislation from the 2015 and 2017 sessions where ongoing appropriations were not provided. The Oil Spill Prevention Account (OSPA) is facing a \$1.8 million shortfall and Ecology is pursuing revenue legislation to fund this important work.
- Modernize and migrate the Ecology data center per requirements from the Office of the Chief Information Officer.
- Address executive orders and legislation related to environmental issues like ocean acidification, carbon pollution, and copper-based paint.

- Relocate our Bellingham field office per signed lease agreements as approved by the Department of Enterprise Services (DES) and Office of Financial Management (OFM), Facilities Oversight Program.

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

## Maintenance Level

1. **Minimum Wage Costs – Facilities. \$275,000.** Ongoing funding is provided to cover cost increases in existing DES master contracts for security and janitorial services at Ecology facilities, stemming from increases in the minimum and prevailing wages of the workers employed under those contracts. (Various Accounts)
2. **Other ML Changes (\$736,000).** Ongoing adjustments are provided for changes in agencywide costs for items like audit and legal services, central services costs, workers compensation, technical correction to pensions in the Radioactive Mixed Waste Account, PEBB rate, wellness gift cards, employer premium for paid family leave, and DES rate compensation. (Various Accounts)

## Policy Level

### Reduce and Prepare for Climate Impacts

3. **Ocean Acidification. \$194,000, 0.9 FTE.** Increasingly, ocean acidification caused by carbon pollution is negatively impacting Washington's commercial and recreational fisheries, as well as coastal economies, and threatening to disrupt ocean ecosystems. Ongoing funding and FTE are provided for a position to support implementation of Executive Order 12-07 (Washington's response to ocean acidification), to represent the state and participate in the International Alliance to Combat Ocean Acidification, and to coordinate other state actions related to ocean acidification. This position will work with federal, foreign, and state governments; tribes; non-governmental organizations; and the shellfish and fisheries industries. (General Fund-State)

### Prevent and Reduce Toxic Threats

4. **Oil Spills Program and Funding. \$979,000, 3.1 FTEs.** Contingent on passage of agency-request legislation to address spill risks associated with the transportation of non-floating oil, and provide adequate revenue for Ecology's Spill Prevention, Preparedness and Response Program (Spills Program), a combination of one-time and ongoing FTEs and funding are provided for rulemaking and implementation of updated requirements for spill contingency plans, geographic response plans, and oil transfer inspections. Related to Puget Sound Action Agenda implementation. (Oil Spill Prevention Account)
5. **Funding Oil Spill Planning – Nonfuel. \$81,000, 0.4 FTE.** One-time funding and FTE are provided for implementation of Chapter 239, Laws of 2017, exempting short-line railroads that haul nonfuel oils from oil spill contingency planning requirements. The bill amended RCW 90.56.210 to require smaller railroads that transport non-crude oils (such as gas, diesel, motor oils, and vegetable oils) to develop and implement more limited oil spill contingency plans, rather than completing full contingency plans and conducting drills. (Oil Spill Prevention Account)
6. **Regulating Antifouling Paint. \$80,000, 0.4 FTE.** Contingent on passage of agency-request legislation to postpone from January 1, 2018, to January 1, 2021, the statutory ban on copper-based antifouling paint used in recreational vessels, a combination of one-time and ongoing funding is provided for research into safer alternatives. (Hazardous Waste Assistance Account – State)

7. **Carbon Reductions. \$123,000, 0.6 FTE.** Contingent on passage of legislation to institute a carbon pollution reduction tax, a combination of one-time and ongoing funding, and FTE are provided for Ecology to carry out its responsibilities under the bill, including providing technical assistance to the Department of Revenue and other agencies. (General Fund-State)

## Other

8. **Modernize and Migrate Data Center. \$1.5 million, 1.2 FTEs.** Ecology is required by RCW 43.105.375 and the Office of the Chief Information Officer, Policy 184, to move servers and related equipment out of its Ecology data center. Ecology must also update over 220 business applications to meet the standards required in the new setting. Ongoing funding is provided for Ecology to modernize its business applications and move them to the State Data Center or a cloud environment by the end of the 2019-21 Biennium. (Various Accounts)
9. **Bellingham Field Office Relocation. \$252,000.** A combination of one-time and ongoing funding is provided for lease cost changes and move-related costs for relocating Ecology's Bellingham field office. Once completed, this move will result in ongoing savings of over \$100,000 per year. (Various Accounts)
10. **Correct Corpsmember Minimum Wage. \$226,000.** Ecology's Washington Conservation Corps (WCC) program provides work experience to young adults and returning veterans in disaster response and environmental/public health protection and restoration. Corpsmembers receive a living allowance tied to the minimum wage. The 2017-19 enacted budget provided funding for living allowance costs that increased due to the passage of Initiative 1433, which raised the state minimum wage. However, the budget increase omitted funding for associated corpsmember benefits and agency overhead. Ongoing funding is provided to correct this omission. (State Toxics Control Account (STCA))
11. **Other Compensation and Central Service Changes. \$559,000.** Ongoing adjustments are provided for changes in agencywide costs for items like legal services, central services costs, PERS & TRS Plan 1 benefit increases, and CTS fees for service adjustments. (Various Accounts)

Capital		Governor Inslee's New Investments			
1/18/2018	\$ in thousands	SBCA	MTCA	Other	Total
1	VW Settlement Funded Projects (additional funding)			92,700	92,700
2	Reduce Air Pollution from Transit/Sch. Buses/State-Owned Veh.			28,400	28,400
3	2017-19 Stormwater Financial Assistance Program (additional funding)	12,000			12,000
4	2017-19 Clean Up Toxics Sites Puget Sound	7,830	1,836		9,666
5	2017-19 Remedial Action Grants	1,000	4,877		5,877
6	Mount Baker Properties Cleanup & Affordable Housing Devel.	5,100			5,100
7	Healthy Housing Remediation Program	5,000			5,000
8	2017-19 Eastern WA Clean Sites Initiative		1,740		1,740
<b>Total Additional Capital Investments Proposed</b>		<b>30,930</b>	<b>8,453</b>	<b>121,100</b>	<b>160,483</b>

		2018 Legislative Supplemental ESSB 6090			
1/18/2018	\$ in thousands	SBCA/STBCA	MTCA	Other	Total
<b>MTCA Reappropriation Bond Swap (Commensurate reduction taken in MTCA funding)</b>					
1	30000458 Remedial Action Grants	20,000			20,000
2	92000076 Stormwater Improvements	40,000			40,000
<b>New Capital Investments</b>					
3	2015-17 Restored Clean Up Toxics Sites Puget Sound (includes \$2.4 M for Wycoff from ECY 17-19 list).	5,240			5,240
4	Water Pollution Control Revolving Program			210,000	210,000
5	WPCRP State Match (STBCA transfer to WPCRA)	10,000			10,000
6	2015-17 Restored Stormwater Financial Assistance	30,100			30,100
7	Floodplains by Design 2017-19	35,389			35,389
8	2017-19 Stormwater Financial Assistance Program	25,000			25,000
9	2017-19 Centennial Clean Water Program	35,000			35,000
10	Catastrophic Flood Relief	50,000		10,000	60,000
11	Columbia River Water Supply Development Program	19,550		14,250	33,800
12	Yakima River Basin Water Supply	31,100			31,100
13	Water Availability (Contingent upon SSB 6091 passing)			20,000	20,000
14	Sunnyside Valley Irrigation Dist. Water Conservation	4,684			4,684
15	Watershed Plan Implementation & Flow Achievement	5,000			5,000
16	Water Irrigation Efficiencies Program	4,000			4,000
17	2015-17 Restored Eastern WA Clean Sites Initiative	2,436			2,436
18	Integrated Planning Grant: Port Townsend	200			200
19	Coordinated Prevention Grants	10,000			10,000
20	ASARCO Cleanup			28,760	28,760
21	Reducing Toxic Diesel Emissions	500			500
22	Reducing Toxic Woodstove Emissions	2,000			2,000
23	Swift Creek Natural Asbestos Flood Control & Cleanup	4,000			4,000
24	Waste Tire Pile Cleanup and Prevention			1,000	1,000
25	VW Settlement Funded Projects			20,000	20,000
26	Eastern Regional Office Improvements & Stormwater Treatment	1,920			1,920
27	Lacey HQ Facility Preservation Projects	635			635
28	Leaking Tank Model Remedies (funded \$1.1M in PLIA's budget that will be passed through to Ecology)				
<b>Total</b>		<b>336,754</b>	<b>-</b>	<b>304,010</b>	<b>640,764</b>

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

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

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

The Governor's Capital Budget proposal, prior to passage of Substitute Senate Bill (SSB) 6090, totals \$802 million for new projects. The Governor's budget includes \$160 million in additional investments above the appropriations passed in SSB 6090, as demonstrated in the table.

### November 2017 MTCA Revenue Forecast

Since the February 2014 revenue forecast, actual and projected revenue for the MTCA accounts has dropped by \$377 million (\$186.6 million in 2015-17 and \$190.6 million in 2017-19). This left a projected overall MTCA fund balance for 2017-19 of negative \$58 million. Ecology has had to continue to delay \$70 million in reappropriated cleanup and stormwater capital projects for the last three years due to the ongoing revenue shortfall. SSB 6090 provides \$60 million in State Building Construction Account (SBCA) funding so these projects can get started, and restores \$38 million in funding for cleanup and stormwater projects cut in the 2016 Supplemental.

The major source of revenue for these accounts is the Hazardous Substance Tax (HST), a 0.7 percent tax on the wholesale value of the first possession of hazardous substances in Washington. The HST has not been increased or adjusted for inflation in 28 years. 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 three years, forecasted revenue collections are substantially down, and projected revenue is insufficient to cover the reappropriations required for the 2017-19 Biennium. The primary drivers causing the projected negative MTCA balances include:

- Reduced value of crude oil. Barrel prices (Brent Spot) were \$104 in the summer of 2014, dropped below \$30 in January 2016, and are around \$63 in December 2017. The correlated decrease in HST revenue left an enormous overall reduction in capacity for funds the size of MTCA.
- An additional \$240 million in appropriations, above the projected fund balances, were made in the past two enacted biennial budgets. This was done by assuming the spending of the appropriated dollars would occur in future biennia (an additional \$119 million was appropriated in 2013-15, and an additional \$121 million was appropriated in 2015-17). These future commitments are now due and significantly reduce available fund balance capacity.
- MTCA appropriations have been expanded in recent biennia to several agencies (from five agencies in the 2003-05 biennia, to 11 agencies today).
- Up to \$26 million in loans were provided to MTCA from other dedicated accounts in the enacted budgets, and these repayments are due in the next two biennia.
- Since the 2007-09 Biennium, \$75 million of work previously funded by General Fund-State (GF-S) has been shifted to MTCA (about \$64 million to Ecology and \$11 million to other agencies).

#### 1. VW Settlement Funded Projects. Additional \$92.7 million (SSB 6090 already provides \$20 million).

The U.S. Department of Justice penalized Volkswagen AG (VW) for knowingly selling diesel vehicles that violated the federal Clean Air Act, emitting up to 40 times the permitted levels of harmful air pollutants. VW entered into multiple consent decrees with the U.S. to settle consumer and environmental damages. Under the settlement, Washington is eligible to receive \$112.7 million to be spent over ten years. The funds are held in a trust outside of the state treasury. The Governor's proposal provides the entire \$112.7 million

appropriation to fund projects, consistent with the consent decrees, that will significantly reduce transportation-related toxic air pollution and offset the public health damage caused by the violating VW vehicles. The consent decrees define how the funds can be used to reduce emissions. Related to Puget Sound Action Agenda implementation. (General Fund-Private/Local)

2. **Reduce Air Pollution from Transit/School Buses/State-owned Vehicles. \$28.4 million.** In late 2015, Ecology penalized Volkswagen AG (VW) for selling vehicles that violated state clean air laws. VW has agreed to pay \$28.4 million to Ecology to settle those violations. This funding is provided for a grant program to replace older, high-polluting vehicles across the state with clean, low-emission technology, with a focus on school and transit buses. This will reduce air pollution, help prevent violations of federal air quality standards, improve public health, reduce operating costs, and improve transportation reliability for fleet owners. Related to Puget Sound Action Agenda implementation. (Air Pollution Control Account)
3. **2017-19 Stormwater Financial Assistance Program. Additional \$12.0 million (SSB 6090 already provides \$25 million).** The Governor's proposal for 2017-19 SFAP projects will provide grants to local governments to finance stormwater retrofit projects that treat polluted stormwater in priority areas throughout the state, including reducing stormwater pollutants in areas where southern resident killer whales are regularly present. The SFAP will distribute funds to the highest priority projects through a competitive rating and ranking process to ensure projects provide good water quality value and address problems from existing urban development. The work accomplished by local governments will help reduce toxics and other pollution from entering our waterways and protect our marine waters, estuaries, lakes, rivers, and groundwater resources throughout the state. Related to Puget Sound Action Agenda implementation. (SBCA)
4. **2017-19 Clean Up Toxics Sites Puget Sound. \$9.7 million.** A significant source of pollution to Puget Sound is contaminated sites around the basin and its shorelines. For more than ten years, Ecology has been identifying and cleaning up contaminated sites in the Puget Sound Basin. This emphasis on Puget Sound bay-wide cleanup and surrounding areas has highlighted a valuable link between toxic site cleanup and habitat restoration. The Governor's proposal supports projects that integrate shoreline habitat restoration opportunities with cleanup projects to protect public and environmental health, create jobs, and promote economic development. Related to Puget Sound Action Agenda implementation. (SBCA, STCA)
5. **2017-19 Remedial Action Grants. \$5.9 million.** Ecology manages the Remedial Action Grant program to help local governments clean up contaminated sites in Washington. The Governor's proposal will fund pass-through grants for ready-to-proceed projects and actual spending requirements for the 2017-19 Biennium. Remedial Action Grants support cleanup at contaminated industrial sites that impact the air, land, and water resources of the state, and continued cleanup of Puget Sound. 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. (SBCA, LTCA)
6. **Mount Baker Properties Cleanup and Affordable Housing Development. \$5.1 million.** The Mount Baker Housing Association (MBHA) is a not-for-profit organization with a mission to create quality, affordable housing in southeast Seattle. The organization is in the process of redeveloping five contaminated properties for affordable housing. Ecology and the MBHA entered into a Prospective Purchaser Consent Decree (PPCD). The objective of the PPCD is to facilitate site cleanup by the MBHA to allow for redevelopment and reuse as transit-oriented affordable housing. Ecology will pass through this funding to the MBHA as outlined in the PPCD. The Governor's proposal supports development and completion of the plans and specifications to finalize the Cleanup Action Plan, conduct pilot testing of the groundwater treatment, complete the engineering design report, and conduct related public notice and outreach. (SBCA)

7. **Healthy Housing Remediation Program. \$5.0 million.** The Governor's proposal includes grant funding for local government to carry out cleanup activities at brownfields properties for affordable housing development. Ecology and the Department of Commerce will collaborate to develop a competitive process for selecting sites and projects for grant funding. (SBCA)
  
8. **2017-19 Eastern Washington Clean Sites Initiative. \$1.7 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. The Governor's proposal continues the initiative to have a statewide cleanup program by making investments outside of the Puget Sound Basin and Western Washington. (STCA)