

Focus on Solving the MTCA Revenue Shortfall

WHY IT MATTERS

Since 1988 when the Model Toxics Control Act was established, MTCA funds have been used for both operating and capital budget investments in core toxics, hazardous waste, solid waste, air quality, and environmental health protection and monitoring programs. The major source of funding 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. Since the May 2015 revenue forecast that the enacted 2015-17 biennial budget was based on, actual and projected revenue for the MTCA accounts has dropped by \$97 million in 2015-17 and \$121 million in 2017-19. This has left a projected overall MTCA fund balance for 2017-19 of negative \$78 million as of August 2016. The HST has not been increased or adjusted for inflation in 28 years.

Contact

Erik Fairchild
Chief Financial Officer
(360) 407-7005
Erik.Fairchild@ecy.wa.gov

2017-19 MTCA Revenue Shortfall

Based on the June 2016 forecast, The Model Toxics Control Act (MTCA) funds will have a \$78 million shortfall in the 2017-19 Biennium. The primary drivers causing the projected negative MTCA balances include:

- Reduced value of crude oil. Barrel prices were \$104 in the summer of 2014, and dropped to below \$30 in January 2016. Since the revenue forecast in February 2014, actual and projected revenue declined by \$380 million—(\$193 million for 2015-17, and \$187 million for 2017-19). This is an unprecedented decline for the Hazardous Substance Tax (HST), and an enormous overall reduction in capacity for funds the size of MTCA.
- \$240 million in appropriations above the projected fund balances that assumed spending would occur in future biennia (\$119 million in 2013-15, and \$121 million 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 (increased from five agencies in 2003-05 to 13 agencies today).
- Enacted budgets included up to \$26 million in loans to MTCA from other dedicated accounts, and repayments are due in the next two biennia.
- Since 2007-09, \$54 million of work previously funded by General Fund-State has been permanently shifted to MTCA (\$48 million at Ecology, \$6 million at other agencies).

Ecology's 2017-19 Capital Budget Request Keeps Priority Projects Moving Forward

The 2016 Supplemental Budgets cut appropriations to balance the MTCA accounts for 2015-17. Many cleanup and stormwater projects were also delayed based on the future spending assumptions passed with the 2015-17 Capital Budget, and those commitments are now due. With a projected \$78 million revenue shortfall in MTCA for the 2017-19 Biennium, Ecology will not be able to fund these obligations without a revenue / funding solution. Ecology's 2017-19 Capital Budget request proposes bond backfill funding for certain MTCA reappropriations.

Special accommodations

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Ecology is also requesting \$28 million in 2017-19 MTCA funding for Coordinated Prevention Grants (CPG) for important solid and hazardous waste management work authorized under MTCA since 1988. These grants optimize safe waste management by ensuring landfills are operated appropriately, diverting solid waste from disposal, and reusing and recycling materials to reduce environmental risks and greenhouse gas emissions.

With the \$78 million revenue shortfall and the \$28 million needed for CPG, Ecology is using a mix of submitting \$1.2 million of Operating Budget reductions; lapsing \$14.3 million from projects that don't require funding in 2017-19; and requesting \$90.4 million in bond backfill funding (as of August 2016) to fund projects as intended from enacted budgets and to provide CPG funding next biennium. Future revenue forecasts will likely change the amount required, and Ecology will update the requests as needed. The following table lists the reappropriation amounts Ecology is lapsing, and the amounts requested for bond backfill. Only those reappropriations included with the \$90.4 million State Building Construction Account (SBCA) backfill and lapsed MTCA funding are identified below. The reappropriation requests in our budget submittal provide additional detail on the projects at stake if a funding solution is not provided.

2017-19 Capital Budget Request - Bond Backfill Reappropriation Calculations							
	Project	Total	Expended thru Fiscal Month 13	Lapse	Remainder to Reapprop in 2017-19	Bonds	MTCA
Toxics Cleanup							
Remedial Action Grants	T38 - 30000458	60,050	(5,254)	(7,303)	47,493	24,572	22,921
Remedial Action Grants	J37 - 30000039	8,607	(1,452)	(802)	6,353		6,353
Remedial Action Grants	K09 - 30000216	27,599	(3,632)	(970)	22,997		22,997
Remedial Action Grants	S15 - 30000374	38,888	(7,659)		31,228	11,855	19,373
Puget Sound CU	T61 - 30000542	18,550	(817)	(4,169)	13,564	4,400	9,164
Eastern WA CU	T82 - 30000432	11,000	(121)	(1,100)	9,779	2,200	7,579
Sub Total				(14,344)	131,415	43,027	88,388
Stormwater							
Stormwater	S30 - 92000076	61,663	(3,990)		57,673	20,885	36,788
Stormwater	T96 - 30000535	31,200			31,200	26,536	4,664
Sub Total					88,873	47,421	41,452
Grand Total				(14,344)	220,287	90,448	129,839

Providing bond backfill funding and reducing MTCA reappropriations by the same amount will help bridge the MTCA revenue gap and avoid further delays or cancellations of critical cleanup and stormwater projects. Local governments and others across the state need financial certainty that state funding will be forthcoming to ensure existing projects are completed as planned, and new projects can be planned and designed to maximize environmental and public health improvements and economic development opportunities. Most cleanup projects are now funded in phases per legislative direction, so new funding is needed to continue projects already underway, and to avoid costly starts and stops to these cleanups.