

The Governor's Budget proposal is necessary to advance the Executive Order on Climate Change; address a critical revenue shortfall in the Water Quality Account; and repair recently discovered structural damage to the Ecology headquarters building. An additional \$18.7 million from Hazardous Substance Tax revenue is targeted to speed up hazardous waste cleanup and prevention work. Several of Ecology's requests relate to the work of the Puget Sound Partnership and have been sent to the Partnership for their review.

Below is a summary of each Operating and Capital Budget request.

2008 Governor's Supplemental Operating Budget

Climate Change and Air Quality

1. Implementing Climate Change ~ \$714,000 from the State General Fund and 1.3 FTEs ~ A combination of one-time and ongoing funding and full-time equivalent staff are provided in support of Governor Gregoire's commitment on climate change. These include participating in a multi-state process to develop a regional, market-based system for limiting greenhouse gas emissions, and building climate change technical expertise.

2. Greenhouse Gas Emissions Reporting ~ \$218,000 from the State General Fund and .5 FTEs ~ Executive Order 07-02 (climate Change Challenge) and RCW 80.80.010 establish goals for statewide reductions in greenhouse gas emissions. The first milestone is returning the state to 1990 levels of greenhouse gas emissions by 2020. An important tool for reducing greenhouse gas production will be a mechanism to track emissions from major sources. Pending enactment of department request legislation, ongoing funding and full-time equivalent staff are provided to negotiate and adopt a mandatory greenhouse gas reporting rule that would apply to entities responsible for annual emissions greater than 25,000 metric tons or, for motor vehicle operations, 2,500 metric tons.

Water for Local Communities and Healthy Watersheds

3. Water Quality Account (WQA) Shortfall ~ The Governor's budget eliminates the shortfall by reducing WQA appropriations. The reduced appropriations are backfilled with other fund sources.

4. Flood Control Emergency Grants ~ \$200,000 from the Flood Control Assistance Account ~ The Department of Ecology provides grants and technical assistance to local governments for flood damage reduction projects and comprehensive flood hazard management plans. Local and state government grant spending from the Flood Control Assistance Account during the 2005-07 biennium was less than estimated, resulting in additional dollars available in the ending fund balance for the biennium. One-time funding is made available for local emergency flood response grants during the 2007-09 biennium.

5. Maintain Well Construction Services ~ \$155,000 from the Reclamation Account – State and .9 FTE ~ The Department of Ecology and local health departments regulate well construction and decommissioning to protect public health and groundwater resources. The Department has

experienced a significant increase in the volume of well drilling over the past four years and has begun the process of merging its well construction and licensing data systems to improve data accessibility and system reliability. A combination of one-time and ongoing funding and full-time equivalent staff are provided to improve customer service and license processing.

6. Make Lake Roosevelt Water Available ~ \$8.18 million from the State General Fund ~ The Department of Ecology recently concluded negotiations on an agreement with tribal governments in northeastern Washington to make additional water available to users and stream flows in eastern Washington. Ongoing funding in the amount of \$6.03 million is provided for payments to the Confederated Tribes of the Colville Reservation and the Spokane Tribe of Indians to facilitate a drawdown from Lake Roosevelt for fisheries enhancement, related cultural resources mitigation, and water resource planning activities. An additional \$2.15 million is provided on a one-time basis for payments to local governments to mitigate possible adverse impacts from the loss of available water, and to research options for addressing associated water rights impacts.

7. Kittitas County Groundwater Study ~ \$383,000 from the State General Fund ~ Availability of groundwater in the upper Kittitas region of Central Washington has been a long-standing issue. Senior water right holders in the area are concerned the large number of new drinking-water wells drilled each year could put their own water rights at risk during times of drought. A groundwater study will be conducted by the Department of Ecology and Kittitas County to determine the impacts of new well construction on the aquifer and nearby surface waters. Ongoing funding is provided for Kittitas County's participation in the study.

Puget Sound Restoration and Protection

8. Puget Sound/Coastal Monitoring ~ \$305,000 from the Water Quality Account and 1 FTE ~ The state has made important commitments to salmon recovery and restoration of the health of Puget Sound by 2020. The state will need an outcome-monitoring program to establish a baseline and determine progress toward these goals. A combination of one-time and ongoing funding and full-time equivalent staff are provided in order to plan, establish, and begin a statistically valid sampling program in Puget Sound and on Washington's coastline.

9. Standby Rescue Tug ~ \$2 million from the General Fund Federal ~ The standby rescue tug stationed at Neah Bay is a critical asset that reduces the risk of a catastrophic oil spill. Since 1999, the tug has responded 34 times to ships losing power or steering, or experiencing other problems. The 2007 Legislature provided funding for a standby rescue tug for Fiscal Year 2008, in anticipation of federal legislation establishing a permanent, industry-funded tug at the entrance of the Strait of Juan de Fuca, but no state funding was appropriated for Fiscal Year 2009. Federal funding authority is provided for the remainder of the biennium in anticipation of federal action.

10. Puget Sound Toxic Pollution Sources ~ \$310,000 from the State Toxics Control Account ~ Toxic contaminants continue to be discharged into Puget Sound, adversely impacting both ecological and human health. Contaminated sources must be analyzed in order to develop mitigation priorities. One contamination source is air-pollution fallout into marine waters. One-time funding is provided to estimate the contribution of priority toxic chemical deposited in Puget Sound and nearby watersheds from fuel-related air emissions.

Reducing Health Risk from Toxic Chemicals

11. Covenants for Cleanup Sites ~ \$288,000 from the State Toxics Control Account ~ Chapter 104, Laws of 2007, establishes new requirements in situations where environmental covenants (a form of deed restriction) are used to control the future use of toxic cleanup sites. However, only partial funding was provided to the Department for carrying out its new responsibilities under the Act. Ongoing funding is provided for the remaining costs to implement this bill.

12. Assess/Cleanup Hanford Groundwater ~ \$439,000 (\$281,000 from the State Toxics Control Account, \$158,000 from the Federal General Fund) and 1.3 FTEs ~ The U.S. Department of Energy has reprioritized cleanup work at the Hanford Nuclear Reservation with a new emphasis on risk assessment and groundwater cleanup. Ongoing funding and full-time equivalent staff are provided for risk assessments and hydrogeological investigations in support of integrated cleanup and closure of the 18 Hanford tank farms and 30 surrounding contaminated areas consisting of over 1,000 individual waste disposal sites. These efforts, which are fully covered by new federal funding and fee-generated revenue, will enhance the state's ability to assess the risks to, and its ability to protect, human health and the environment.

Technical and Miscellaneous

13. Shoreline Master Program Grants – Fiscal Year Split Correction ~ Local government shoreline master programs provide the policy and regulatory framework for land use along much of the state's shorelines. Efforts to update these master programs are underway to conform with new guidelines adopted by the Department of Ecology in 2003. The Department provides financial assistance grants to local governments for this purpose. During the 2007-09 biennium, \$2,500,000 was appropriated for Fiscal Year 2008 and \$2,000,000 for Fiscal Year 2009 for shoreline master program grants, all General Fund – State. While grant agreements will be signed with local governments and funds obligated, the full appropriation will not be spent in the first fiscal year. The total biennial appropriation level, workload, fund source, and grants provided will stay the same, but the fiscal year expenditure split is adjusted on a one-time basis by moving \$500,000 from Fiscal Year 2008 to Fiscal Year 2009.

14. Watershed Grants – Fiscal Year Split Correction ~ The Watershed Planning Act provides a framework for local citizens, in collaboration with local, state, and tribal governments, to develop watershed plans that address the future water needs of their communities. Ecology provides financial assistance grants to local governments to create and implement these plans. While grant agreements will be signed with local governments and funds obligated, it is likely the full appropriation will not be spent in the first fiscal year. The total biennial appropriation level, workload, fund sources, and grants provided will stay the same, but the fiscal year expenditure split is adjusted on a one-time basis by moving \$300,000 of the General Fund – State appropriation and \$1,200,000 of the Water Quality Account – State appropriation from Fiscal Year 2008 to Fiscal Year 2009.

15. Correct Climate Change (SB 6001) Fiscal Year Funding Split ~ The Department of Ecology received funding in its 2007-09 budget to adopt rules establishing a greenhouse gas emissions performance standard and criteria for evaluating carbon-isolation plans. Chapter 307, Laws of 2007, required rules to be adopted by June 30, 2008. However, the funding for this rule making was split evenly between Fiscal Years 2008 and 2009. This item shifts \$164,000 of the General Fund – State

appropriation on a one-time basis from Fiscal Year 2009 to Fiscal Year 2008 to match the rule-adoption workload.

16. Bertrand Budget Proviso Revision & Fiscal Year Split Correction ~ Amends proviso language to address stakeholder concerns resulting from a negotiated agreement between the Bertrand Watershed Improvement District, Lummi Nation, Nooksack Tribe, Washington Department of Fish and Wildlife, and Ecology. Section 302 (12) of the 2007-09 Operating Budget includes the Bertrand Creek proviso which implements one of two pilot projects approved by the Nooksack River Watershed Planning Unit as part of the adopted Watershed Plan. After the Operating Budget was adopted, stakeholders (including local tribes and Ecology) identified concerns with the proviso language and agreed to request changes to ensure all parties' needs were met. The proviso change requested is the result of a negotiated agreement. Only the proviso language and fiscal year split are amended, no additional funding is being requested.

17. Pension Plan 1 COLA Funding ~ *\$50,000 from Several Accounts* ~ Funding was provided in the 2007-09 budget for the additional employer contributions to retirement systems required by modifications to the eligibility criteria for the uniform COLA in the Public Employees' Retirement System Plan 1 (PERS 1) and the Teachers' Retirement System Plan 1 (TRS 1) in SB 5175. This item moves that funding from the State Employee Compensation Adjustments agency into individual agency budgets.

18. On-Line Recruiting Services ~ *\$96,000 from Several Accounts* ~ To support the state's online recruitment tool (E-Recruiting), additional funds are provided for a one-time charge from the Department of Personnel. This will improve the ability of agencies to manage their recruitment and hiring processes as required by the Personnel System Reform Act of 2002.

19. Balance to Available Revenue (Reduce Dedicated Funds) ~ *Reduce by \$2.456 million (\$1.5 million Water Quality Permit Account – State, \$452,000 from the Air Operating Permit Account – State, and \$504,000 from the Environmental Excellence Account – State)* ~ The Expenditure authority in these dedicated accounts is reduced on an ongoing basis to match anticipated revenue collections. Because of these reductions, the agency will do less work in such areas as air pollution regulation, polluted water clean-up studies and planning, stormwater runoff technical assistance and regulation, and wastewater discharge technical assistance and regulation.

20. PEBB Rate Reduction ~ *Reduce by \$2.949 million from Several Account* ~ The state contributes 88 percent of the total weighted average of the employee health care premium and also pays for the cost of dental, life and long-term disability insurance. Total Public Employees Benefit Board (PEBB) expenditures for the 2007-09 biennium are anticipated to be lower than budgeted because (1) health plan costs for calendar year 2008 are lower than expected, which will benefit both the state and its employees; (2) the Uniform Medical Plan continues to perform better than projected; and (3) funding was removed from the PEBB administrative cost allocation for an information technology system replacement due to the restrictive nature of federal funding. The state employer contribution rate will be reduced from \$732 per month to \$575 per month. This one-time reduction will leave an unrestricted fund balance of \$19.2 million at the end of Fiscal Year 2009.

2008 Governor's Supplemental Capital Budget

Puget Sound Restoration and Protection

1. Cleanup Toxic Sites – Puget Sound ~ \$2.767 million from the State Toxics Control Account ~ Expands cleanup of known toxic contaminated sites within one-half mile of Puget Sound. As of July 2007, over 647 known toxic contaminated sites are in need of cleanup within one-half mile of Puget Sound. Of those, 443 sites are currently in the process of being cleaned up. Cleaning up these sites protects public health, safeguards Puget Sound and its inhabitants, avoids groundwater contamination, and provides opportunities for economic redevelopment.

Reducing Health Risk from Toxic Chemicals

2. Reduce Health Risks from Toxic Diesel Pollution ~ \$3.04 million from the Local Toxics Control Account ~ Completes installation of pollution control devices on eligible school buses and local government owned or operated diesel vehicles. Diesel pollution causes more disease and death than any other air pollutant in Washington. Health care costs and losses in worker productivity attributable to diesel exposure are estimated to cost Washington citizens, businesses and government between \$100 million and \$1.6 billion each year. This \$3.04 million investment will complete retrofitting of all remaining known school buses and other local government public diesel fleets willing to make such upgrades, and reduce citizen exposure to highly toxic air contaminants.

3. Safe Soils Remediation Program ~ \$2.5 million from the State Toxics Control Account ~ Advances soil cleanup and remediation at daycare and child-use areas. Since 2001, Ecology has worked with and supported a task force to consider the special challenges posed by widespread, low-level lead and arsenic contamination caused by smelting and agriculture practices in Washington. The task force's 2003 report recommended soil sampling, cleanup and remediation at schools and daycare facilities because children are more susceptible to health impacts from this low-level contamination. Since then, the Legislature has provided \$7 million for soil cleanup and remediation at these facilities.

4. Remedial Action Grant Program ~ \$9.4 million from the Local Toxics Control Account ~ Provides grants to local governments to cleanup hazardous waste sites identified since Ecology's 2007-09 budget request. Ecology provides remedial action grants to local governments to encourage and expedite cleanup activity, and minimize the financial impact to rate payers and taxpayers. This \$9,400,000 in pass-through funding will support cleaning up contaminated industrial sites that impact Washington's air, land, and water resources. Cleaned up sites protect public health, restore and protect the environment, and create economic redevelopment opportunities.

5. Skykomish Cleanup & Restoration ~ \$3 million from New Account to be Established ~ The Department of Ecology and Burlington Northern Santa Fe Railroad (BNSF) have entered into a consent decree (settlement agreement) for BNSF to pay for natural resource damages as a result of years of petroleum contamination at Skykomish from the former BNSF Maintenance and Fueling Facility located there. As part of the settlement BNSF is providing the agency \$5,356,819 for aquatic habitat restoration, water quality protection and recreational and terrestrial restoration in the town of Skykomish. \$3 million of this settlement is appropriated to initiate restoration work in Fiscal Year

2009. This restoration will directly benefit the ground and surface water in the Snohomish and Skykomish watersheds.

Ecology Facilities – Preserving State Assets & Technical Changes

6. Preservation of Ecology Headquarters – Rebuild East Wall ~ \$10.857 million from the State Building Construction Account ~ Repairs the 32,000 square foot stucco wall on the east side of Ecology's Lacey building. This wall has failed and must be rebuilt to protect employee health and safety and maintain structural integrity. Water intrusion caused significant structural damage and mold growth. The 2007 Legislature provided \$100,000 to fully assess damages and develop a repair strategy and budget estimate. Ecology is requesting \$10,857,202 to make the consultant's recommended repairs. If the repairs are not done soon, further damage will occur, and there will be increased risk to employees' safety and health.

7. Reduce Dedicated Fund Expenditure (SDPA) ~ Reduce by \$177,000 from the State Drought Preparedness Account ~ Reappropriations from the State Drought Preparedness Account are reduced to match available fund balance and local funding commitments.

Department of Ecology 2008 Supplemental Operating Budget					
		Governor's Budget 12/18/2007			
12/18/2007	\$ in thousands - Biennialized FTEs	FTE	GF-S	Other	Total
Maintenance Level Base Budget		1,594.2	99,971	367,869	467,840
2008 Policy Changes					
<i>Climate Change and Air Quality</i>					
1.	Implementing Climate Change	1.3	714		714
2.	Green House Gas Emissions Reporting	0.5	218		218
<i>Water for Local Communities and Healthy Watersheds</i>					
3.	Water Quality Account Shortfall - \$1.2 M Transfer ^{1,2}				0
4.	Flood Control Emergency Grants			200	200
5.	Maintain Well Construction Services	0.9		155	155
6.	Make Lake Roosevelt Water Available		8,180		8,180
7.	Kittitas County Groundwater Study		383		383
<i>Puget Sound Restoration and Protection</i>					
8.	Puget Sound/Coastal Monitoring ¹	1.0		305	305
9.	Standby Rescue Tug			2,000	2,000
10.	Puget Sound Toxic Pollution Sources			310	310
<i>Reducing Health Risk from Toxic Chemicals</i>					
11.	Covenants for Cleanup Sites			288	288
12.	Assess/Cleanup Hanford Groundwater	1.3		439	439
<i>Technical & Miscellaneous</i>					
13.	Shoreline Master Program Grants - FY Split Correction				0
14.	Watershed Grants - Fiscal Year (FY) Split Correction				0
15.	Correct Climate Change (SB 6001) FY Funding Split				0
16.	Bertrand Proviso Revision - FY Split Correction				0
17.	Pension Plan 1 COLA Funding		16	34	50
18.	On-Line Recruiting Services		38	58	96
19.	Balance to Available Revenue (reduce Dedicated Funds)			(2,456)	(2,456)
20.	PEBB Rate Reduction		(919)	(2,030)	(2,949)
Total Policy Changes		5.0	8,630	(697)	7,933
Total Proposed Operating Budget		1,599.2	108,601	367,172	475,773

Department of Ecology 2008 Supplemental Capital Budget					
		Governor's 12/18/2007			
12/18/2007	\$ in thousands - Biennialized FTEs	FTE	SBCA	Other	Total
Puget Sound Restoration and Protection					
1.	Cleanup Toxic Sites - Puget Sound			2,767	2,767
Reducing Health Risk from Toxic Chemicals					
2.	Reduce Health Risks from Toxic Diesel Pollution ¹			3,040	3,040
3.	Safe Soils Remediation Program ¹			2,500	2,500
4.	Remedial Action Grant Program ¹			9,400	9,400
5.	Skykomish Cleanup & Restoration			3,000	3,000
Ecology Facilities ~ Preserving State Assets & Technical					
6.	Preservation of Ecology Headquarters - Rebuild East Wall		10,857		10,857
7.	Reduce Dedicated Fund Expenditure (SDPA)			(177)	(177)
Total Capital Budget Request		0.0	10,857	20,530	31,387

Total Operating & Capital Budget Request	5.0	19,487	19,833	39,320
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1. These items include both a Puget Sound specific and state-wide funding component. Several other proposals while not specific to Puget Sound will also provide benefits to this region.

2. The Water Quality Account (WQA) is over appropriated due to an unanticipated smokeless tobacco lawsuit settlement refund in July 2007. The agency requested solution is a \$1.2 million GF-S transfer to the WQA, and a correction in a transfer from the WQA to the Water Quality Capital Account. The Governor's proposal uses other funds to correct this shortfall.