

## MTCA Cash Management Plan

The enacted budget provided three tools for managing cash in the Model Toxics Control Act (MTCA) accounts in Section 7038 of the 2015-17 biennium Capital Budget bill (2EHB 1115):

1. Authorized transfers between the accounts to maintain positive account balances.
2. Authorized Cleanup Settlement Account loan of up to \$13 million repaid with interest in three equal payments beginning in 2018.
3. Authorized Ecology to delay the start of cleanup projects.

Ecology and the Office of Financial Management developed a MTCA Cash Management Plan for the 2015-17 biennium. The plan describes Ecology's use of these options to maintain positive cash balances in the accounts, including delaying several high-priority cleanup projects.

Section 7038 (3) specifies that, if further reductions are needed to maintain positive account balances after using the inter-fund transfer authority, Ecology is authorized to delay the start of cleanup projects based on acuity of need, readiness to proceed, cost-efficiency, or need to ensure geographic distribution. The plan outlines the Toxics Cleanup Program's approach to implementing the legislative criteria.

Cleanup projects as determined by Ecology include:

- Remedial Action Grants.
- Clean up Toxic Sites Puget Sound.
- Eastern Washington Clean Sites Initiative.
- Leaking Tank Model Remedies.

### Applying the Plan: Forecasted Revenue Shortfall

Since the May 2015 forecast, actual and projected revenue for the MTCA accounts dropped by \$60 million, leaving a projected negative fund balance of about \$63 million for the 2015-17 biennium. This revenue decline and the direction provided in the enacted 2015-17 Capital Budget mean funding is not available to start the majority of important new cleanup projects appropriated in the budget.

In addition to the tools provided in Section 7038, Ecology is actively managing the shortfall by closely monitoring actual revenue collections and expenditures on a monthly basis, and communicating this situation and information to our local funding partners and other state agencies that receive MTCA dollars. Ecology is also closely screening MTCA-supported operating budget spending.

### 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, actual and projected HST revenue dropped by \$60 million. HST revenue is closely correlated to oil prices, which have dropped from a high of \$104 per barrel in August 2014\* to a low of \$42 per barrel in August 2015. *See the chart on page 2.*

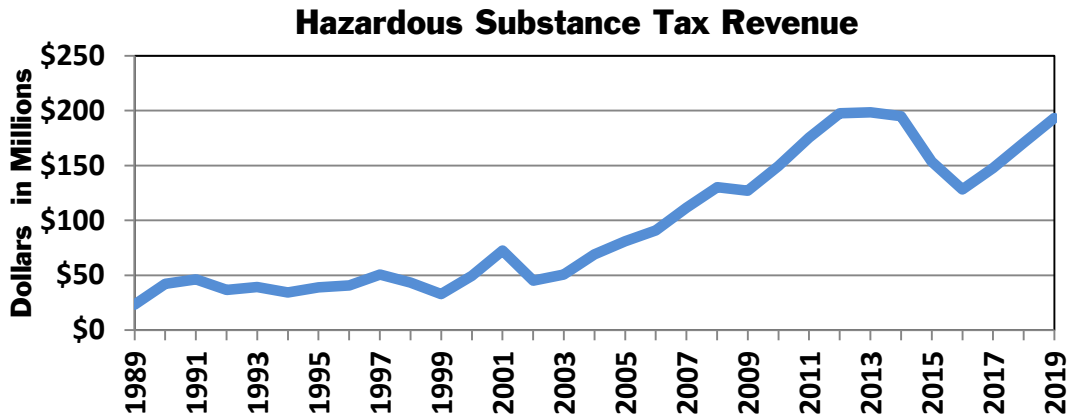
*\*Source: U.S. Department of Energy Europe Brent Spot Price FOB*

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### Special accommodations

To request ADA accommodation, call Ecology at 360-407-6764, Relay Service 711, or TTY 877-833-6341



Ecology will spend new bond dollars before MTCA in two non-cleanup projects — Centennial and Stormwater. The enacted budget already assumes \$121 million of MTCA expenditures will occur in the 2017-19 biennium. By spending bond dollars first, it moves another \$14 million of MTCA spending into 2017-19, for a total of \$135 million. This frees up \$14 million in MTCA for cleanup projects in 2015-17, but it also pushes more MTCA spending into 2017-19.

### Addressing the Revenue Shortfall

Ecology is requesting \$36 million in State Building Construction Account (SBCA) backfill dollars in the 2016 Supplemental Capital Budget for fully ready-to-proceed projects to offset the shortfall in MTCA revenue in the 2015-17 biennium. This is the expected spending need for cleanup projects in the current biennium. Providing backfill funding will keep important cleanup work on schedule and in line with the original legislative budget assumptions. If a short-term alternative solution is not provided, Ecology will have to delay new cleanup projects until revenue recovers in the MTCA accounts.

When including the \$14 million SBCA adjustment, Ecology estimates a total of **\$18 million** will be available for new cleanup projects in 2015-17, unless there is a legislative fix that fills the revenue shortfall. In comparison, new cleanup capital investments have been around **\$100 million** each biennium over the last few biennia. SBCA backfill funding is the best option, because it will fund the capital budget as the Legislature originally intended and give Ecology the resources to implement the budget as originally passed.