

Managing the MTCA Revenue Decrease

The main source of revenue for the Model Toxic Control Act (MTCA) accounts is the Hazardous Substance Tax, which is dependent on petroleum prices. As the price of oil declines, so do revenues to the MTCA accounts.

The 2015-17 budget appropriated MTCA accounts based on revenue forecasts made when petroleum prices were higher. Since then, petroleum prices have fallen. MTCA revenue collections in the November 2015 forecast are about \$68 million below the amount assumed in the 2015-17 budget. This leaves a negative fund balance of \$71 million for the 2015-17 Biennium.

Actions Taken

Ecology took the following steps to respond to revenue decreases in the MTCA accounts, as authorized in section 7038 of the 2015-17 Capital Budget (HB 1115):

- Transferring funds between the three MTCA accounts.
- Taking a \$13 million loan from the Cleanup Settlement Account, repaid with interest.
- Delaying 2015-17 cleanup projects.

In addition, Ecology will spend bond funding first in two 2015-17 water quality programs that received both bond and MTCA funding. This allows for spending \$14 million in MTCA in 2015-17 for cleanup projects.

Even with these actions, there is **only \$12.6 million** of MTCA revenue available for cleanup projects this biennium.

Solutions in the 2016 Supplemental Budgets

The Governor's 2016 supplemental budgets propose several additional actions to manage revenue decreases in the three MTCA accounts.

Capital Budget Proposal:

- Replaces **\$25.5 million** of cleanup project appropriations from MTCA with bonds.

Operating Budget Proposal:

- Transfers of dedicated fund balances.
- One-time expenditure shifts.
- Net change is **\$1.2 million** savings.

Contact information

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Accommodations Requests

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

In total, the 2015-17 budget and the Governor's 2016 supplemental proposal would provide **\$39.4 million** (the 2015-17 budget appropriated \$100.6 million) for cleanup projects. If the Legislature enacts the Governor's 2016 supplemental budgets, the highest priority cleanup projects from the enacted budget would get started this biennium.

The 2015-17 budget assumed \$43.7 million of the \$100.6 million total appropriations would be spent in future biennia with future revenue. The current revenue situation will result in the delay of \$61.3 million in cleanup projects until MTCA revenue is available.

Ecology worked with stakeholders over several months to develop a prioritized list of 2015-17 cleanup projects, initially based on MTCA's requirement to address the urgency and effectiveness of cleanup projects. The lists were further refined based on the criteria (section 7038) in the enacted capital budget – acuity of need, readiness to proceed, cost efficiency, and need to ensure geographic distribution.

What's Next

The Legislature reconvenes January 11, 2016, for a 60-day short session to address major issues that have occurred since they passed the 2015-17 budget last June. The next revenue forecast is scheduled to be released around February 17, 2016, and may result in changes in the size of the MTCA revenue shortfall. Ecology will continue to monitor the MTCA revenue shortfall and provide updates as needed.