Focus on: Restoring MTCA Investment Capacity

Background

In 1988, Washington voters approved an initiative that led to creation of the Model Toxics Control Act (MTCA). This law provides a framework for managing, preventing, and cleaning up pollution. The initiative also created the Hazardous Substance Tax (HST).

The HST is 0.7 percent of the wholesale value on the first possession of hazardous substances in Washington. The tax rate has not been adjusted in the 30 years since the law was passed.

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MTCA and the Hazardous Substance Tax support environmental and public health across the state

The Hazardous Substance Tax (HST) provides funding for accounts created under the Model Toxics Control Act (MTCA), Washington's environmental cleanup law. The HST is intended to raise sufficient funds to clean up all hazardous waste sites and to prevent the creation of future hazards due to improper disposal of toxic waste in the state's land, air, and water. MTCA funded activities improve the state's environment, economy, and quality of life.

More than 6,600 contaminated sites in Washington have been cleaned up with MTCA, and about 39 percent of Ecology's base operating budget is supported by this key fund source. The law and funding support Ecology's work to investigate, clean up, and prevent hazardous waste, and fund a broad range of other core environmental work at Ecology and other agencies related to water and environmental health protection and monitoring.

Ecology's strategy to ensure funding for toxics work

Petroleum products account for most of the HST collections—about 90 percent of the total. Because petroleum products are commodities bought and sold across the world, prices can change quickly and significantly, based on supply, demand, and the strength of the global economy. This has led to volatility in MTCA revenue.

This volatility drove Ecology to develop a funding strategy to use revenue spikes to target large toxics cleanup and stormwater management projects. This strategy helped ensure the accounts would not be over appropriated due to long-term commitments, and that money would be available for one of its intended purposes.

MTCA Authorized Uses

(Chapter 70.105d RCW- partial list)

State Toxics Control Account (STCA):

- Hazardous and solid waste management and recycling.
- Hazardous waste cleanup.
- Oil and hazardous materials spill prevention, preparedness, training, and response.
- Water and environmental health protection and monitoring.
- Water pollution control grant and loan programs.
- Pesticides management.
- Air quality programs.

Ecology passes Local Toxics Control Account (LTCA) funding through to local governments for:

- Remedial actions for reuse of contaminated properties.
- Stormwater pollution source projects that protect or prevent hazardous cleanup sites.
- Hazardous and solid waste management and recycling.

Environmental Legacy Stewardship Account (ELSA) can be used to cover STCA and LTCA activities; and also specifically for:

- Projects that result in significant reductions in the time to complete compared to baseline averages.
- Projects to reduce stormwater pollution from existing infrastructure.
- Cleanup and disposal of hazardous substances from abandoned or derelict vessels.

The use of MTCA funding is cross-authorized for the three accounts, allowing funding from one account to be used for activities authorized in another account.

Revenue problems and shifts to other uses

The price of crude oil began dropping after the summer of 2014, which resulted in a corresponding and significant decrease in HST revenue. Prior to the downward plunge in oil prices, MTCA revenue collections were around $200 million a year from 2012 through 2014. Collections dropped to $112 million in 2016, and $124 million in 2017, but are beginning to recover. Collections are projected to be around $167 million per year over the next three years, starting in Fiscal Year 2020.

In addition to the issues caused by oil prices, the pressure on other operating funds during the Great Recession resulted in multiple fund shifts. Enacted budgets permanently shifted $75 million of General Fund-State (GF-S) work in state agencies' operating budgets to MTCA accounts ($64.2 million of this is in Ecology's budget). Although these fund shifts preserved core environmental work, they also further eroded MTCA funding capacity for toxics management, prevention, and cleanup work.

Decline in natural resource investments

The overall Near GF-S investment in natural resource agencies' work has declined significantly since the 2005-07 Biennium. From 2005-07 to 2015-17, natural resource agencies' operating budget expenditures have gone from 34 percent Near GF-S funding to 16 percent, while their operating expenses funded by MTCA have increased from seven percent to ten percent over the same ten-year period.

For Ecology, our Near GF-S operating appropriations have been reduced from $132 million at the start of 2007-09, to $42 million today (a 68 percent reduction).

Agencies' capital expenditures also show a great deal of volatility in funding sources. From 2005-07 to 2015-17, bond funding for capital expenses increased from 29 percent to 39 percent, while MTCA funding has remained at 11 percent. This pattern of increasing reliance on MTCA for operating expenses, and not using MTCA to invest in capital projects, reduces natural resource agencies' capacity to fund critical projects that manage, prevent, and clean up toxic pollution.

Governor Inslee's proposal restores MTCA capacity

The governor's operating budget permanently shifts $20 million of MTCA-funded activities back to GF-S funding to address stakeholder and taxpayer concerns, restore overall capacity for agency activities in support of environmental and public health work, and allow MTCA funds to be used for priority areas identified in statute for toxics management, prevention, and cleanup projects statewide.