

## Focus on: MTCA Account and Revenue Changes



Port Gamble Bay and Mill site, Kitsap County, WA. A Puget Sound Initiative site—reaching the goal of a healthy, sustainable Puget Sound.

### Background

In 1988, Washington voters passed Initiative 97 that led to the creation of the Model Toxics Control Act (MTCA), adopted as Washington's environmental cleanup law. This law provides a framework for managing, preventing, and cleaning up pollution. The initiative also created the Hazardous Substance Tax (HST).

### Contact information

Garret Ward  
360-407-7282  
Garret.Ward@ecy.wa.gov

### Special accommodations

To request ADA accommodation, including materials in an alternate format, call Ecology at 360-407-7117, Washington Relay Service at 711, or visit <https://ecology.wa.gov/accessibility>.

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

The Hazardous Substance Tax (HST) provides funding for accounts created under the Model Toxics Control Act (MTCA), and is a tax on the first possession of hazardous substances in Washington. The HST applies to petroleum products and certain pesticides and chemicals. It is intended to raise sufficient funds to clean up all hazardous waste sites and to prevent creation of future hazards due to improper disposal of toxic waste into the state's land, air, and water. MTCA-funded activities improve the state's environment, economy, and quality of life.

MTCA supports Ecology's work to clean up, properly manage, and prevent releases of hazardous substances. Under MTCA, more than 7,000 contaminated sites in Washington have been cleaned up. The MTCA accounts are the largest source of funding for a broad range of environmental and public health work at Ecology, and support about 40 percent of the agency's base operating budget. The MTCA accounts also generally provide Ecology over \$100 million in capital dollars each biennium to pass through to local governments and other persons for contaminated site cleanup, toxics prevention, air toxics mitigation, and stormwater pollution control projects.

### ESSB 5993: Reforming the financial structure of the model toxics control program

The passage of Engrossed Substitute Senate Bill (ESSB) 5993 (Chapter 422, Laws of 2019) made major changes to the MTCA accounts and the HST. As described in section 101 of the bill, its purpose was to update the Model Toxics Control Program and its primary funding mechanism through the following changes:

- Increase funding for programs and projects related to clean air, clean water, and toxic cleanup and prevention, with specific focus on stormwater pollution.

### MTCA authorized uses

#### MTCA Operating Account (RCW 70.105D.190) – partial list:

- Hazardous and solid waste planning, management, and recycling.
- Hazardous waste cleanup.
- Local solid waste financial assistance.
- Oil and hazardous materials spill prevention, preparedness, training, and response.
- Water and environmental health protection and monitoring.
- Public participation grant (PPG) program.
- Pesticide management.
- Air quality programs.

#### MTCA Capital Account (RCW 70.105D.200) – partial list:

- Contaminated site investigation and cleanup.
- Hazardous and solid waste planning, management, and recycling.
- Toxic air pollutant reduction programs.

#### MTCA – Stormwater (RCW 70.105D.210)

- Stormwater pollution control projects and activities that protect or preserve existing remedial actions or prevent hazardous clean-up sites.
- Stormwater financial assistance to local governments.

- Provide distinct and transparent financial separation of capital and operating budget funding.
- Improve the transparency and visibility of operating and capital project expenditures under the program.
- Eliminate the volatility of HST revenues by moving to a volumetric rate for liquid petroleum products.

### Account Changes

ESSB 5993 eliminated the three prior MTCA Accounts—the State Toxics Control Account (STCA), the Local Toxics Control Account (LTCA), and the Environmental Legacy Stewardship Account (ELSA). It replaced them with three new accounts—the Model Toxics Control (MTCA) Operating Account, the Model Toxics Control (MTCA) Capital Account, and the Model Toxics Control (MTCA) Stormwater Account.

The authorized uses of the new accounts are similar to the prior MTCA accounts and include all of Ecology’s previously authorized uses.

### Revenue Changes

ESSB 5993 changed the HST structure for liquid petroleum products from a value-based tax to a volume-based tax (<https://dor.wa.gov/find-taxes-rates/other-taxes/hazardous-substance-tax>). Starting July 1, 2019, the HST rate on liquid petroleum products is \$1.09 per barrel, and will increase annually by the Implicit Price Deflator (IPD) for non-residential structures. The Department of Revenue (DOR) will use the IPD for non-residential structures published each March by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA), for the prior calendar year to set the new per-barrel rate for the upcoming fiscal year.

The first \$50 million per biennium of liquid petroleum tax revenue is deposited into the Motor Vehicle Fund (MVF). The revenue deposited into the MVF must be used exclusively for transportation stormwater purposes. This deposit will continue each biennium until the Legislature passes a new \$2 billion “additive transportation funding act.”

The remaining liquid petroleum product revenue is deposited into the three new MTCA accounts:

- 60 percent into the MTCA Operating Account.
- 25 percent into the MTCA Capital Account.
- 15 percent into the MTCA Stormwater Account.

Revenue from all other substances subject to the HST, including non-liquid petroleum products and certain pesticides and chemicals, is still taxed at 7/10 of one percent of the wholesale value of the substance. Those revenues are deposited into the MTCA Capital Account.