

SENATE BILL REPORT

SB 5012

As Passed Senate, March 12, 1999

Title: An act relating to the pollution liability insurance program trust account.

Brief Description: Administering the pollution liability insurance program trust account.

Sponsors: Senators Prentice, Winsley and Rasmussen; by request of Pollution Liability Insurance Agency.

Brief History:

Committee Activity: Commerce, Trade, Housing & Financial Institutions: 1/12/99, 1/28/99 [DP].
Passed Senate, 3/12/99, 48-0.

SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Shin, Vice Chair; Benton, Deccio, Gardner, Hale, Heavey, Rasmussen, T. Sheldon and Winsley.

Staff: Catherine Mele (786-7470)

Background: In 1989, the Legislature created a State Pollution Liability Reinsurance Program. The state program is administered by the Pollution Liability Insurance Agency (PLIA). The Legislature created PLIA in response to the requirements of the federal Environmental Protection Agency (EPA) that owners and operators of petroleum underground storage tanks demonstrate financial responsibility for the cleanup of contamination resulting from spills or releases of petroleum. The PLIA program provides reinsurance to commercial insurance companies which in turn provide pollution liability insurance to underground storage tank owners and operators in Washington.

The reinsurance program's objective is to improve the availability and affordability of pollution liability insurance for owners and operators of underground storage tanks by providing reinsurance at a price significantly below the private market price. The discount is passed on to owners and operators of underground storage tanks through reduced insurance premiums and increased availability of insurance. PLIA programs are scheduled to expire on June 1, 2001.

PLIA's underground storage tank program expenses are paid from the pollution liability insurance agency trust account. To fund the programs, the Legislature imposed a petroleum products tax of .50 percent on the first possession of any petroleum product in the state. The tax applies to the wholesale value of the petroleum product. Petroleum products exported for use and sale as fuel outside the state as well as those products packaged for sale to ultimate consumers are exempt from taxation. Collection of the tax ceases whenever the

account balance exceeds \$15 million and resumes when the balance drops below \$7.5 million. The state has not collected the tax since July 1992.

PLIA's operating and administrative budget is appropriated through the legislative budget process. However, funds used for underground storage tank claim payments are not appropriated. There are concerns that pollution claims are unpredictable and cannot be accurately allotted.

Summary of Bill: The Pollution Liability Insurance Agency's administrative and operating costs are appropriated by the Legislature and allotted by the Office of Financial Management. The requirement that all other expenditures from the trust account be allotted is deleted. An expiration date is added.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Our budget analyst and the state auditor recommended this technical change to our statute so that our current practices reflect what is authorized by statute.

Testimony Against: None.

Testified: Jim Sims, Pollution Liability Insurance.