HOUSE BILL REPORT
HB 2096

As Reported By House Committee On:
Agriculture & Ecology
Appropriations

Title: An act relating to consolidating and funding of the state's oil spill prevention programs within the department of ecology.

Brief Description: Consolidating the state's oil spill prevention program.

Sponsors: Representatives Chandler and K. Schmidt.

Brief History:
Committee Activity:
Agriculture & Ecology: 2/26/97, 3/5/97 [DPS];
Appropriations: 3/8/97 [DPS(AGEC)].

HOUSE COMMITTEE ON AGRICULTURE & ECOLOGY

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Chandler, Chairman; Parlette, Vice Chairman; Schoesler, Vice Chairman; Linville, Ranking Minority Member; Cooper; Delvin; Koster; Mastin and Sump.

Minority Report: Without recommendation. Signed by 2 members: Representatives Anderson, Assistant Ranking Minority Member; and Regala.

Staff: Rick Anderson (786-7114).

Background: In 1991, the Legislature enacted comprehensive oil spill prevention and response legislation. The 1991 legislation imposed two new taxes on the privilege of receiving crude oil or petroleum products at a marine terminal. The oil spill response tax is levied at a rate equal to 2 cents for each barrel. The oil spill administration tax is levied at a rate of 3 cents per barrel. A barrel– equals 42 gallons of crude oil or petroleum product. The tax is not applicable to oil or other petroleum products that are subsequently exported. Both accounts are subject to appropriation. The administrative account is used for administrative expenses incurred in carrying out the oil spill prevention, planning, and some response activities. The response account is used for state agency costs in responding to spills where the expense is expected to exceed $50 thousand.

Current law contains a provision allowing the oil spill response tax to be suspended if the account exceeds $25 million. Once suspended, the tax cannot be reimposed until it drops below $15 million. In general, the oil spill administration account can also be suspended if the response account exceeds $25 million and the administration account has a fund balance that is greater than the unspent appropriation remaining in the account.

The 1991 legislation created the Office of Marine Safety (OMS). The administrator of the office is appointed by the Governor. The office has responsibility for regulating oil tankers and other vessels for the purpose of preventing oil spills. The Department of Ecology (DOE) has authority for land-based oil facilities and spill response. The 1991 legislation included a provision that transfers the OMS into the DOE as of July 1, 1997.

The 1991 legislation required three state agencies to develop a report on using tax credits as an incentive for the marine oil transportation industry to use certain technology and practices to reduce the risk of oil spills. The study was submitted to the Legislature in 1993.

Summary of Substitute Bill: Legislative intent is established that the director of the DOE is to consolidate all oil spill prevention, planning, and response activities of the two agencies into one management unit within the department and that the unit be managed by a single administrator with deputy director status. All employees of the OMS are to be transferred to the DOE. All civil service employees transferred to the DOE are to perform the same duties as performed with the OMS.

The rates of the barrel taxes are changed. The sum of 4 cents is to be deposited into the administration account and 1 cent into the response account. The 1 cent tax is suspended when the response account exceeds $10 million and is reimposed when the account falls below $10 million. The provision allowing suspension of the 4 cents per barrel administration tax is changed to be consistent the with $10 million limit on the response account. Dated language regarding the tax credit study is deleted.

Substitute Bill Compared to Original Bill: The substitute bill adds two provisions to the original bill. These provisions specify that the administrator of the DOE's oil spill management unit is to have the job classification of deputy director and that all current OMS employees will be transferred to the DOE.

Appropriation: None.

Fiscal Note: Requested on March 5, 1997.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed, except section 4 contains an emergency clause and takes effect June 30, 1997.

Testimony For: The DOE is committed to ensuring that oil spill prevention retains a high priority. Stable funding is important to the success of the prevention program. Allowing the administration account to receive 4 cents per barrel will stabilize existing funding needs. Current law dedicates the revenue from the barrel taxes to prevention and response activities. Merger of the agencies will not affect funding of the current activities. The Legislature did not officially endorse the findings of Joint Legislative Audit and Review Committee (JLARC) report. Clean water is important to many industries. Creation of a citizen's advisory board is a good idea.

Testimony Against: OMS has been highly effective at helping to prevent oil spills and should retain its independent status. Many industries rely on clean water. An independent OMS will provide the best guarantee of keeping the water clean. The Legislature should follow the recommendations of the JLARC. This report found that merger would generally not improve the functions of either agency and would not save money. The exemptions allowed for the barrel tax needed to be addressed. The administration account needs to have a stable source of funding. OFM forecasts show that the administration account will continue to have shortfalls even with the 1 cent per barrel increase.

Testified: Former Representative Rust (con); Brady Engvall, Washington Coastal Oyster Growers (con); Fred Felleman, Ocean Advocates (con); Dick Welsh, Coastal Transportation of Washington State (con); Helen Engle, Tahoma Audubon Society (con); Tom Fitzsimmons, Department of Ecology (comment); Roxy Giddings (comment); Kathy Fletcher, People for Puget Sound (con); Judy Austin, Tahoma Audubon Society (con); Ed Owens, Coalition of Coastal Fishers (pro); Ron Shultz, National Audubon Society (con); John Youmans, American Association of Retired Persons (con); Steve Robinson, NW Indian Fisheries Commission (pro); Grahame Bell (con); Greg Hanon, Western State Petroleum Association (pro); Randy Ray, Puget Sound Steam Ship Operators Association (pro); and Rick Wickman, Columbia River Steam Ship Operation Association (pro).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Agriculture & Ecology be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority

Member; Benson; Carlson; Cody; Cooke; Crouse; Grant; Lambert; Linville; Lisk; Mastin; McMorris; Parlette; Poulsen; D. Schmidt; Sehlin; Sheahan and Talcott.

Minority Report: Without recommendation. Signed by 6 members: Representatives Chopp; Keiser; Kenney; Kessler; Regala and Tokuda.

Staff: Nancy Stevenson (786-7137).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Agriculture & Ecology: No new changes were recommended.

Appropriation: None.

Fiscal Note: Requested on March 5, 1997.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed, except section 4 contains an emergency clause and takes effect on June 30, 1997.

Testimony For: The bill redistributes the oil tax to adequately support the program and stabilize funding. The program is strengthened by restating the commitment to prevention and response and establishing the organizational structure within the Department of Ecology.

Testimony Against: Prevention is the key. The best way to keep the focus on prevention is to maintain a separate agency. The Joint Legislative Audit and Review Committee (JLARC) reviewed the merger and concluded it would cost $200,000 more in administrative costs. If prevention funding was kept separate from response funding, it would ensure the prevention unit remains a focus. The bill needs more protections.

Testified: Greg Hanon, Western State Petroleum Association; Brad Boswell, Puget Sound Steamship Operators Association; and Rick Wickman, Columbia River Steamship Operation Association (all pro); and Bruce Wishart, People for Puget Sound (con).