ANALYSIS OF HB 2096

House Agriculture & Ecology Committee February 26, 1997

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 of oil or petroleum product received at a marine terminal. 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 may be used for administrative expenses incurred in carrying out the oil spill prevention and response program. The response account may be used for state agency costs in responding to spills where the expense is expected to exceed $50 thousand.

The 1991 legislation contained a provision allowing the oil spill response tax to be suspended if the account exceeded $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 portion of the appropriation to the administration program.

The 1991 legislation created the Office of Marine Safety. The Office has responsibility for regulating certain vessels for the purpose of preventing oil spills. The Department of Ecology has authority over oil handling facilities and spill response. The 1991 legislation included a provision that transferred the Office of Marine Safety into the Department of Ecology 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:

Legislative findings are made identifying the benefits of merging the Office of Marine Safety into the Department of Ecology. (Section 1). The rates of the barrel taxes are changed. The

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sum of 4 cents is to be deposited into the administration account and 1 cent into the response account. The 1 cent tax deposited into the response account is suspended when the account exceeds $10 million. (Section 2). 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. (Section 3). Dated language regarding the tax credit study is deleted. (Section 2).