SENATE BILL REPORT

ESHB 2096

As Reported By Senate Committee On:
Agriculture & Environment, April 3, 1997
Ways & Means, April 7, 1997

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: House Committee on Agriculture & Ecology (originally sponsored by Representatives Chandler and K. Schmidt).

Brief History:
Committee Activity: Agriculture & Environment: 4/2/97, 4/3/97 [DPA-WM].
Ways & Means: 4/7/97 [DPA (AE)].

SENATE COMMITTEE ON AGRICULTURE & ENVIRONMENT

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.
Signed by Senators Morton, Chair; Swecker, Vice Chair; Newhouse, Oke and Rasmussen.

Staff: Kari Guy (786-7437)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Agriculture & Environment.
Signed by Senators West, Chair; Strannigan, Vice Chair; Bauer, Hochstatter, Long, Loveland, McDonald, Roach, Rossi, Schow, Sheldon, Snyder, Swecker, Winsley and Zarelli.

Staff: Cathy Baker (786-7708)

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 two cents for each barrel. The oil spill administration tax is levied at a rate of three cents per barrel. A tax credit is provided for 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 $50,000.

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. The oil spill administration tax 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 oil spill administration account would be reinstated at the beginning of the subsequent biennium. At the beginning of each biennium, any fund balance in the oil spill administration account must be transferred to the oil spill response 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 has authority for spill prevention for land-based oil facilities and spill response for any oil spills. The 1991 legislation included a provision that terminates OMS and transfers the powers, duties, and functions of OMS to 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 of Amended Bill: The director of the Department of Ecology must consolidate all of the agency's oil spill prevention, planning, and response activities into one division within the department to be managed by a single administrator with assistant director status. Oil spill prevention activities must be managed as a separate program within the division. The department must identify and attempt to resolve threats to safety of marine transportation and the impact of marine transportation on the environment.

All employees of the OMS are transferred to the Department of Ecology. All civil service employees transferred to the department are to perform the same duties as performed with OMS.

The rates of the per barrel oil taxes are changed. The sum of four cents is deposited into the administration account and one cent into the response account. The one cent tax is suspended when the response account exceeds $10 million and is reimposed when the account falls below $9 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. Language allowing a transfer of the administration account fund balance to the response account at the beginning of the biennium is deleted. Dated language regarding the tax credit study is deleted.

An oil spill prevention and response advisory committee is created within the department. The committee consists of legislators and representatives of licensed pilots, the marine transportation industry, the fishing industry, the shellfish industry, an environmental organization, and the department. By, December 1, 1998, the committee must submit a report to the Legislature evaluating the merger of the Office of Marine Safety into the department.

Appropriation: None.

Fiscal Note: Requested on March 27, 1997.

Effective Date: The bill takes effect on July 1, 1997.

Amended Bill Compared to Substitute Bill: A pilot is added to the advisory committee. Language allowing the transfer of the administrative account fund balance to the response account at the beginning of the biennium is deleted.

Testimony For (Agriculture & Environment): This bill will ensure that oil spill prevention activities remain a priority for the state. A consolidated program will provide a unified command system in the event of a marine emergency. Funding for prevention activities has fallen short in the past; this bill will ensure that there is adequate revenue to fully fund oil spill prevention activities.

Testimony Against (Agriculture & Environment): The state should maintain an independent Office of Marine Safety. The independent office provides a focus on prevention that will not be maintained by the Department of Ecology. The shift in the per barrel tax is not sufficient to resolve the funding problems.

Testified (Agriculture & Environment): Thom Hooper, Department of Fish and Wildlife; Ed Owens, Coalition of Coastal Fisheries; PRO: Greg Hanon, Western States Petroleum Association; Brad Boswell, Puget Sound Steamship Operators Association; CON: John Youmans, AARP; Bruce Wishart, People for Puget Sound; J. Grahame Bell, attorney.

Testimony For (Ways & Means): The bill will address the real funding needs of the state oil spill prevention program for the first time ever. It will bring the oil spill administration account into balance and will help focus the program on prevention activities. The Department of Ecology is committed to ensuring that prevention programs will be a very high priority.

Testimony Against (Ways & Means): The bill doesn't solve the funding problem and doesn't put enough emphasis on prevention. With a merged program at the Department of Ecology, the prevention and response dollars will be co-mingled. The state lacks adequate capability to respond to oil spills. An initiative may be necessary to ensure adequate funding for the program.

Testified (Ways & Means): Ed Owens, Coalition of Coastal Fisheries; J. Grahame Bell; Bruce Wishart, People for Puget Sound. PRO: Greg Hanon, Washington State Petroleum Industry; Bill Alkire, Department of Ecology; Rick Wickman, Columbia River Steamship Operators.