HOUSE BILL REPORT
HB 2247

As Reported By House Committee On:
Appropriations

Title: An act relating to the oil spill response tax.

Brief Description: Reducing the account balance requirements necessary for the imposition of the oil spill response tax.

Sponsors: Representatives Cooper, Linville and Ruderman; by request of Office of Financial Management.

Brief History:

Committee Activity:

Appropriations: 3/4/99, 3/6/99 [DPS].

Brief Summary of Substitute Bill

- Allows the State Treasurer to transfer $1 million from the oil spill response account to the oil spill administration account.
- Decreases the cap on the oil spill response account from $10 million to $8 million.
- Decreases the fund balance level for reimposing the oil spill response tax from $9 million to $7 million.
- Requires the Department of Ecology to convene a work group to provide recommendations for an oil spill risk management plan.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 31 members: Representatives Huff, Republican Co-Chair; H. Sommers, Democratic Co-Chair; Alexander, Republican Vice Chair; Doumit, Democratic Vice Chair; D. Schmidt, Republican Vice Chair; Barlean; Benson; Boldt; Carlson; Clements; Cody; Crouse; Gombosky; Grant; Kagi; Keiser; Kenney;

Lambert; Linville; Lisk; Mastin; McIntire; McMorris; Mulliken; Parlette; Regala; Rockefeller; Ruderman; Sullivan; Tokuda and Wensman.

Staff: Jeff Olsen (786-7157).

Background:

In 1991, the Legislature enacted a comprehensive oil spill prevention and response measure to promote the safety of marine transportation in Washington. The legislation imposed a tax on oil imported into the state to cover the costs incurred by state agencies in implementing the program. The tax was 3 cents for each barrel of crude oil or refined product imported at a marine terminal. In addition, there was a 2 cents per barrel tax to establish a fund for response to oil spills. If the fund balance in the oil spill response account reached $25 million, the oil spill response tax would be suspended. The oil spill response tax would be reimposed if the fund balance fell below $15 million.

In 1997, there were a number of changes to the oil spill prevention program. The distribution of the 5 cent tax on crude oil was changed. The oil spill administration tax was increased from 3 cents to 4 cents for each barrel of oil, and the oil spill response tax was decreased from 2 cents to 1 cent for each barrel of oil. The cap on the oil spill response tax was decreased from $25 million to $10 million. If the oil spill response account falls below $9 million, the tax is reimposed. The response fund may only be used when authorized by the director of the Department of Ecology to cover the costs incurred by state agencies in responding to an oil spill.

The 1997-99 budget appropriated $7.9 million to state agencies from the oil spill administration account to pay for oil spill prevention and response activities. The November 1998 revenue forecast estimates the account will receive $7.3 million in revenue.

Summary of Substitute Bill:

The cap on the oil spill response account is lowered from $10 million to $8 million. Once that amount is exceeded, the tax is not reimposed until the balance in the account falls below $7 million.

The State Treasurer is authorized to transfer a total of $1 million from the response account to the administration account during the 1997-99 biennium and the 1999-01 biennium.

The Department of Ecology must convene a work group to provide recommendations for an oil spill risk management plan.

Substitute Bill Compared to Original Bill: The substitute bill specifies the amount the State Treasurer must transfer from the oil spill response account to the administration account. The cap and the trigger on the oil spill response account are both reduced an additional $500,000.

The Department of Ecology must convene a work group to provide recommendations for an oil spill risk management plan.

Appropriation: None.

Fiscal Note: Requested on March 1, 1999.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: (Proposed substitute) A working group is established to address the issues of concern including funding, tax collection, the rescue tug, and tug escorts. It is time to find a comprehensive solution to ensure safety and prevent an oil spill. The Secretary of Transportation determined that the regional marine transportation system is safe. The International Tug of Opportunity System provides a method to identify the location of the closest tug during emergencies.

Double escort tugs are used in Prince William Sound to ensure safe passage. The difference between the Governor's proposal and this proposed substitute is $1.1 million for a rescue tug, and the cap for the oil spill response account is lower. The work being required in the proposed study cannot be completed by December 1, 1999. The Governor feels that the Straits of Juan de Fuca are not adequately safe.

(Support with concerns) There should be a rescue tug at Neah Bay. There is a gap in the safety net to prevent a disaster on our shoreline. Calling for another study is disappointing. There is a significant problem with the revenue source. The oil tax credit means that ships that bring oil in and out of Washington do not pay the tax, yet ironically are twice the risk.

Testimony Against: (Proposed substitute) None.

Testified: (In support) Representative Cooper, prime sponsor; and Tom Fitzsimmons, Department of Ecology.

(In support with concerns) Bruce Wishart, People for Puget Sound.

(Opposed to original bill. Supports proposed substitute) Greg Hanon, Western States Petroleum Association; and Randy Ray, Puget Sound Steamship Operators

Association.