

HOUSE BILL REPORT

ESHB 2941

As Passed House:

February 17, 2002

Title: An act relating to creating a special impact mitigation assistance program to offset the impact of the construction of a nuclear waste treatment and immobilization plant.

Brief Description: Creating a special impact mitigation program to offset the impact of construction of a nuclear waste treatment and immobilization plant.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Delvin, Hankins, Grant and Kessler).

Brief History:

Committee Activity:

Finance: 2/11/02 [DPS].

Floor Activity:

Passed House: 2/17/02, 94-0.

Brief Summary of Engrossed Substitute Bill

- Transfers certain state business and occupation tax revenues to local governments to help offset impacts from the construction of a nuclear waste treatment and immobilization plant.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Gombosky, Chair; Berkey, Vice Chair; Cairnes, Ranking Minority Member; Conway, Morris, Nixon, Orcutt, Roach, Santos, Van Luven and Veloria.

Staff: Mark Matteson (786-7145).

Background:

State Business and Occupation Tax

The business and occupation (B&O) tax is Washington State's major business tax. The tax is imposed on the gross receipts of business activities conducted within the state. For

businesses that have construction contracts with the federal government, the tax is imposed at a rate of .484 percent. Revenues are deposited to the state general fund.

Hanford Tank Waste Removal, Treatment, and Disposal

In 1998, at the direction of the United States Congress, the Office of River Protection (ORP) was established to manage the environmental cleanup project at the Hanford Nuclear Reservation. The Hanford site is host to 60 percent of the nation's nuclear waste. One of the objectives of the ORP is to construct and put into operation a waste treatment and immobilization facility that by the year 2018 will treat at least 10 percent of Hanford's tank waste. Site preparation of the facility, for which the construction cost has been estimated at \$900 million, began in September 2001. Construction on the facility could begin in the fall of 2002.

Hanford Communities

In 1994 the Hanford Communities was founded as an intergovernmental cooperative organization of Benton County and the cities of Richland, Kennewick, Pasco, West Richland, and Benton. The Hanford Communities is designed to be a coordinated organization to provide unified advice and support to the United States Department of Energy on important issues relating to the Hanford Nuclear Reservation.

Summary of Engrossed Substitute Bill:

The Department of Revenue is directed to make annual deposits of up to \$2 million of state business and occupation tax collected from a prime contractor responsible for the construction of a nuclear waste treatment and immobilization plant to a new account, the Nuclear Waste Mitigation Account. The State Treasurer is directed to distribute the moneys in the account to the county where the construction takes place. The Hanford Communities will devise a formula for the county to distribute moneys to local governments. The total amount deposited to the account is limited to \$10 million, and no deposits may be made after the year 2012.

Interest earned on the account balance is retained in the account.

Appropriation: None.

Fiscal Note: Requested February 11, 2002.

Effective Date: The bill takes effect on July 1, 2002.

Testimony For: (on a substantially similar bill, HB 2693). The plan is now in place to turn radioactive waste into glass logs at Hanford. If we didn't stabilize the waste, then the problem would just get worse and create serious ecological problems. Now, after

years of false starts, the money is finally in place and we're ready to move ahead. If we don't go forward now, I'm worried that Congress will change its mind and it will be the kiss of death for the project.

During the construction phase of the treatment plant, a five-year process, the local community is going to be hit with a multimillion dollar impact. Local communities have no recourse for trying to capture much of the revenues, since the project is being done on federal land. The impacts from in-migrant workers is already being felt. It is like bringing a small city to your community. The demands on existing services are overwhelming, and service levels are degenerating. We want to make sure that no community has to sacrifice its well-being. Schools are an example of a public program that is funded out of property taxes, which we can't use to recoup revenues in this case.

Testimony Against: None.

Testified: (on a substantially similar bill, HB 2693) Representative Delvin, prime sponsor; Senator Hewitt, sponsor of similar Senate bill; Senator Hale, sponsor of similar Senate bill; Carol Moser, city of Richland; James Beaver, city of Kennewick; John Darrington, city of Richland; and Robert Kelly, city of Kennewick.

(With concerns) Alan Lynn, Department of Revenue.