

SENATE BILL REPORT

2SHB 1488

As Reported By Senate Committee On:
Water, Energy & Telecommunications, March 28, 2007
Ways & Means, April 2, 2007

Title: An act relating to protecting all of Washington's waters by enhancing the state's oil spill program.

Brief Description: Enhancing the state's oil spill response program.

Sponsors: House Committee on Finance (originally sponsored by Representatives B. Sullivan, Uptegrove, Appleton, Dunshee, Hunt, Dickerson, VanDeWege, Campbell, Kessler, Eickmeyer, McCoy, Chase, Green, Sells, Kenney, Ericks, Roberts, Lantz, Goodman, Wood, Kagi, Moeller and Rolfes).

Brief History: Passed House: 3/13/07, 66-29.

Committee Activity: Water, Energy & Telecommunications: 3/27/07, 3/28/07 [DP-WM, DNP].

Ways & Means: 4/02/07 [DP, DNP, w/oRec].

SENATE COMMITTEE ON WATER, ENERGY & TELECOMMUNICATIONS

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Poulsen, Chair; Fraser, Marr, Oemig, Pridemore and Regala.

Minority Report: Do not pass.

Signed by Senators Delvin, Holmquist and Morton.

Staff: Sam Thompson (786-7413)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Fairley, Hobbs, Keiser, Kohl-Welles, Oemig, Rasmussen, Regala, Rockefeller and Tom.

Minority Report: Do not pass.

Signed by Senator Honeyford.

Minority Report: That it be referred without recommendation. Signed by Senators Zarelli, Ranking Minority Member; Brandland, Carrell, Parlette, Roach and Schoesler.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Dean Carlson (786-7305)

Background: Oil Spill Advisory Council: In 2005, the Legislature created the Oil Spill Advisory Council (Council), made up of representatives of diverse stakeholder groups. The Council submitted a report to the Legislature in 2006 outlining proposals for oil spill prevention, preparedness, and response.

Oil Spill Funding: Many of the Department of Ecology's (DOE) oil spill-related duties are funded through two taxes on the receipt of crude oil at a marine terminal. The Oil Spill Response Tax (Response Tax) is levied at the rate of one cent per barrel and the Oil Spill Administration Tax (Administration Tax) is levied at the rate of four cents per barrel. A credit is allowed against these taxes for crude oil subsequently exported from or sold for export from the state.

Revenue from these taxes is deposited in two accounts. Response Tax revenue is deposited in the Oil Spill Response Account (Response Account), funds from which pay for costs associated with responding to crude oil spills. Administration Tax revenue is deposited in the Oil Spill Prevention Account (Prevention Account), funds from which may be used for activities related to preventing oil spills, including vessel plan reviews and public outreach.

Derelict Vessels: The Derelict Vessel Removal Account (Derelict Vessel Account) may receive gifts, grants, and endowments for removal of abandoned or derelict vessels under a program administered by the Department of Natural Resources. If the Derelict Vessel Account balance reaches \$1 million as of March 1 of any year, collection of fees associated with the account must be suspended for the following fiscal year.

Rescue Tug: DOE is authorized to use Response Account monies to fund a rescue tug at the entrance to the Strait of Juan de Fuca and to spot charter tugs as needed during major storms and other high risk periods.

Summary of Second Substitute Bill: Tug Programs: DOE authority to use Response Account monies to fund a rescue tug at the entrance to the Strait of Juan de Fuca is changed to specify that the rescue tug must be available year-round. DOE may use Response Account monies to pay for contingency tugs, rather than charter tugs.

Prevention Account: Allowable uses of Prevention Account funds is expanded to include funding of the Council and transfers to the Derelict Vessel Account.

Derelict Vessels: The Derelict Vessel Account may receive transfers from the General Fund and Response Account. The Derelict Vessel Account balance will not include fund transfers from the General Fund or Prevention Account in calculating the \$1 million benchmark for suspending collection of fees associated with the account.

These provisions are null and void unless funded in the appropriations act.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed. Substantive provisions are null and void unless funded in the appropriations act.

Staff Summary of Public Testimony (Water, Energy & Telecommunications): PRO: This legislation is a priority for environmental groups. A year-round rescue tug should be established, the independent Oil Spill Advisory Council should be maintained, a long-term funding source should be established to alleviate an anticipated funding shortfall, and enhancement of existing programs is necessary. The cost of the proposed year-round rescue tug is not as great as critics suggest, and is actually cheap insurance. Federal involvement is necessary, and legislation pending before Congress appropriately facilitates a greater federal role. The notoriety of bad oil spills can have a disastrous long-term effect on marketability of shellfish. It is important to augment funding for the derelict vessel removal program.

CON: The year-round rescue tug proposed in this bill is very expensive to maintain. Proposed tax increases that may later be added in amendments to this bill should not be imposed only on the oil industry – risks aren't really from oil tankers, which have established a good safety record in recent years.

OTHER: Legislation is needed to address the serious risk of potentially disastrous oil spills. A year-round rescue tug capable of operating in extreme conditions should be funded at Neah Bay. The federal government should meet its trust responsibilities to tribes established under the terms of an 1855 treaty. This bill provides an interim solution to a long-term problem that should be addressed by the federal government. Any proposed increase in the Administration Tax unfairly targets the oil industry, which is not responsible for most incidents in which a tug must be called out to assist a vessel; any proposed tax should be imposed upon those actually using these tug services. Continued funding for the Oil Spill Advisory Council is not necessary.

Persons Testifying (Water, Energy & Telecommunications): PRO: Representative Sullivan, prime sponsor; Senator Spanel; Brett Bishop, Oil Spill Advisory Council; Rich Doenges, Department of Natural Resources.

CON: Greg Hanon, Western States Petroleum Association.

OTHER: Steve Robinson, Northwest Indian Fisheries Commission; Chad Bowe chop, Makah Tribe; Bruce Wishart, People for Puget Sound; Chris Jones, Marine Consultant; Charlie Brown, Washington Oil Marketers Association.

Staff Summary of Public Testimony (Ways & Means): PRO: This bill is a work in progress on how we are going to fund the state's oil spill needs. DOE is projecting a \$4 million deficit by 2009. The rescue tug was dispatched twice in the last month, and funding goes away in 2008. The cost of oil cleanup is about \$1,000 a gallon.

CON: This is a tax increase. The program is in balance through the next biennium. We recommend that you put this bill down and continue work in the interim. Only one vessel that has been rescued has been an oil tanker. The rescue tug is funded through next year.

Persons Testifying (Ways & Means): PRO: Bruce Wishart, People for Puget Sound.

CON: Greg Hanon, Western States Petroleum Association.