
General Government Appropriations & Oversight Committee

HB 1403

Brief Description: Establishing an oil transfer fee to fund oil spill prevention, preparedness, response, and restoration programs.

Sponsors: Representatives Upthegrove, Hudgins, Rolfes, Kenney, Fitzgibbon, Pedersen, Roberts, Dickerson, Appleton, Reykdal and Frockt.

Brief Summary of Bill

- Establishes an oil spill transfer fee to be collected by the Department of Ecology upon the transfer of bulk oil from land to a vessel or from one vessel to another.
- Directs the money collected to be used for oil spill prevention, preparedness, response, and restoration activities.

Hearing Date: 1/27/11

Staff: Jason Callahan (786-7117) and Owen Rowe (786-7391).

Background:

All covered vessels and facilities are required to have an oil spill contingency plan on file with the Department of Ecology (Department). The contingency plan must meet standards identified by the Department and provide for the containment and cleanup of oil spills into the waters of the state. The contingency plan in a legally binding agreement on the party submitting the plan.

The contingency plan requirements apply to both facilities and covered vessels. A facility is, with a few exceptions, a structure, pipeline, device, or equipment located on or near state waters that transfers oil to or from a vessel or pipeline. A covered vessel is a tank vessel, cargo vessel weighing over 30 gross tons, or passenger vessel weighing over 300 gross tons. A tank vessel is a ship that is constructed to carry bulk oil as cargo.

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.

Many of the oil spill-related duties of the Department are funded through two taxes on the receipt of crude oil at a marine terminal [RCW 82.23B.020]. The Oil Spill *Response* Tax (Response Tax) is levied at the rate of 1 cent per barrel, and the Oil Spill *Administration* Tax (Administration Tax) is levied at the rate of 4 cents per barrel. There is a credit available against these taxes for petroleum products that are subsequently exported from the state once they are received [RCW 82.23B.040].

The Response Tax and the Administration Tax are deposited in separate accounts, which both fund various activities by the Department. The 4 cent Administration Tax is deposited into the Oil Spill *Prevention* Account (Prevention Account) [RCW 90.56.510]. Money in the Prevention Account may be used by the Department for activities related to the prevention of oil spills, including vessel plan reviews and public outreach.

The 1 cent Response Tax is deposited into the Oil Spill *Response* Account (Response Account) [RCW 90.56.500]. Money in the Response Account is used to pay for the costs associated with responding to spills of crude oil. If at any time the Response Account has a balance greater than \$9 million, the Department of Revenue suspends the collection of the Response Tax.

Summary of Bill:

An oil spill transfer fee (fee) is imposed starting October 31, 2011, when bulk oil is transferred to a non-recreational vessel from a facility or from a tank vessel and when bulk oil is transferred to a facility from a tank vessel. The one exception to the fee is for single transfers of oil less than 100 gallons in volume that occur within a 24-hour period. The fee is to be collected by the owner or operator of the vessel; however, the owner of a facility may provide the payment if it receives the oil in bulk from a tank vessel.

The fee is set at \$0.0003 per gallon of oil transferred. Money collected through the fee must be deposited into a segregated subaccount of the Prevention Account and be used only for oil spill prevention, preparedness, response, and restoration activities. These activities include the administration of the fee.

Beginning on July 1, 2013, the Department may biennially increase the fee by the fiscal growth factor. The Department must provide both the public and the fee payers with notice of the fee increase 90 days before the increase takes effect.

Fees must be submitted to the Department quarterly on a signed and dated form to be developed by the Department. Late payments are assessed a \$500 late charge and 1 percent interest for each month the fee remains unpaid.

Records of fee payment must be retained by the fee-payer for three years.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.