

HOUSE BILL REPORT

HB 1399

As Reported by House Committee On: Capital Budget

Title: An act relating to annually adjusting the limit on distribution of hazardous substance tax revenues to the state and local toxics control accounts to correct for inflation.

Brief Description: Annually adjusting the limit on distribution of hazardous substance tax revenues to the state and local toxics control accounts to correct for inflation.

Sponsors: Representatives Hudgins, DeBolt, Dunshee, Tharinger, Short, Smith and McBride; by request of Department of Ecology.

Brief History:

Committee Activity:

Capital Budget: 2/3/15, 2/10/15 [DPS].

Brief Summary of Substitute Bill

- Increases Hazardous Substance Tax revenue deposited into the State Toxics Control Account and the Local Toxics Control Account annually by lesser of the fiscal growth factor or the year-to-year change in the Hazardous Substance Tax.

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Dunshee, Chair; Stanford, Vice Chair; Smith, Assistant Ranking Minority Member; Kilduff, Peterson and Riccelli.

Minority Report: Do not pass. Signed by 2 members: Representatives DeBolt, Ranking Minority Member; Kochmar.

Minority Report: Without recommendation. Signed by 1 member: Representative Walsh.

Staff: Steve Masse (786-7115).

Background:

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.

The Model Toxics Control Account.

The Model Toxics Control Act (MTCA), which is administered and enforced by the Department of Ecology (DOE), requires liable parties to clean up sites contaminated with hazardous substances, and authorizes the DOE to conduct certain pollution prevention activities. Under the MTCA, the State Toxics Control Account (STCA) and Local Toxics Control Account (LTCA) provide for hazardous and solid waste planning, contaminated site cleanup grants to local governments, and other activities related to hazardous waste prevention, management, and remediation. A new account, the Environmental Legacy Stewardship Account (ELSA), was created in 2013.

The primary source of revenue used to fund the activities authorized under the STCA, the LTCA, and the ELSA is a tax of 0.7 percent on the wholesale value of hazardous substances (the Hazardous Substances Tax). The STCA receives 56 percent of the first \$140 million in revenue generated by the Hazardous Substances Tax, while the LTCA receives the other 44 percent of that amount. On an annual basis, the ELSA receives all Hazardous Substances Tax revenues in excess of \$140 million.

Expenditure Limit.

An expenditure limit for the State General Fund was established in 1993. The State General Fund expenditure limit for any fiscal year is the prior year's expenditure limit increased by a fiscal growth factor that is the average growth in state personal income for the prior 10 fiscal years. The State Expenditure Limit Committee adjusts the expenditure limit each November, or it is adjusted by the Attorney General if no expenditure limit is adopted by November 30 of that year.

Summary of Substitute Bill:

The total revenue deposited from the Hazardous Substances Tax into the STCA and LTCA is increased annually by the lesser of the fiscal growth factor rate or year-to-year change in the Hazardous Substances Tax revenues. If the lesser of the two criteria is zero or less, no adjustment is made to the limit of deposits into the STCA and LTCA for that year. Any funds in excess of the new revenue limit are then deposited into the ELSA.

Substitute Bill Compared to Original Bill:

The original bill used the fiscal growth factor to make adjustments. The substitute bill requires the Department of Revenue to consider the year to year change in the Hazardous Substances Tax, in addition to the fiscal growth factor, and use the lesser of the two criteria to make the adjustment. If the lesser is zero or below, no adjustment is made for that year.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Making adjustments to the limit on revenues deposited into the SCTA and LTCA maintains the buying power of the accounts over time. Stability to the SCTA and LTCA will benefit Puget Sound restoration and cleanup.

(Opposed) The SCTA and LTCA will be more stable without making adjustments to the limit on revenues deposited.

Persons Testifying: (In support) Erik Fairchild, Department of Ecology; Jeff Parsons, Puget Sound Partnership; and Carl Schroeder, Association of Washington Cities.

(Opposed) Greg Hanon, Western States Petroleum Association.

Persons Signed In To Testify But Not Testifying: None.