HOUSE BILL REPORT
HB 1210

As Reported by House Committee On:
Finance

Title: An act relating to strengthening funding for oil spill programs in Washington by increasing revenue to the oil spill prevention account.

Brief Description: Strengthening funding for oil spill programs in Washington by increasing revenue to the oil spill prevention account.

Sponsors: Representatives Farrell, Fitzgibbon, Frame, McBride, Macri, Doglio, Ormsby, Hudgins and Pollet; by request of Department of Ecology.

Brief History:
Committee Activity:
Finance: 1/24/17, 2/21/17 [DP].

Brief Summary of Bill

- Increases the Oil Spill Administration Tax rate from $0.04 per 42-gallon barrel of petroleum product to $0.065 per barrel.
- Eliminates the contingency to suspend Oil Spill Administration Tax collection based on the balances of the Oil Spill Prevention Account and the Oil Spill Administration Account.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 6 members: Representatives Lytton, Chair; Frame, Vice Chair; Dolan, Pollet, Springer and Wylie.

Minority Report: Do not pass. Signed by 5 members: Representatives Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Stokesbary and Wilcox.

Staff: Richelle Geiger (786-7139).

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.

Crude oil and petroleum products that are transported into Washington by ship, barge, and railroad tank car, and are off-loaded at an in-state terminal are subject to the Oil Spill Administration Tax (administration tax) and the Oil Spill Response Tax (response tax). The taxes are imposed on the person who owns the crude oil or petroleum products when the crude oil or petroleum products are received at the terminal. The tax only applies to the first receipt, and not subsequent receipts of the same oil or petroleum products. Credits are allowed against taxes imposed on oil that is initially received in Washington, subsequently exported from the state, is used as a component or ingredient in a manufacturing process, or not used as fuel.

The administration tax is $0.04 per 42-gallon barrel and is deposited in the Oil Spill Prevention Account (prevention account). The prevention account is dedicated to fund oil spill prevention, response, and restoration programs, primarily in the Office of Marine Safety, the Departments of Ecology (DOE), and the Department of Fish and Wildlife.

The response tax is $0.01 per 42-gallon barrel, and is deposited in the Oil Spill Response Account (response account). The response account receipts are used for the costs associated with the response to spills, the imminent threat of spills of crude oil or petroleum products into state waters, and costs associated with the use of an emergency response towing vessel.

If, at the first day of any month, the balance of the response account is greater than $9 million, and the balance of the prevention account is greater than the unexpended appropriation for the current biennium, collection of the administration tax is suspended on the first day of the next calendar month until the beginning of the following biennium. However, the tax must not be suspended during the last six months of the biennium.

Summary of Bill:

The administration tax rate is increased from $0.04 per barrel to $0.065 per barrel. Additionally, the contingency to suspend administration tax collection based on the balances of the prevention account and the response account is eliminated.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2017.

Staff Summary of Public Testimony:

(In support) In 2015 the Legislature improved the safety of oil transport by rail with the passage of the Oil Transportation Safety Act. The policy was funded in part by applying the barrel taxes to oil transported by rail, and a one-time transfer out of the prevention account. The purpose of this bill is to continue to sustainably and reliably fund the policy established in 2015, without continued reliance on transfers. This bill would allow the program to continue operating at its current level.

Barrel tax was established to fully fund the safety program, and the tax rate has not changed since its enactment in the 1990s. Overtime the cost of implementation and complication of administering the program has increased. About 450 million barrels of oil are transported annually across the state by ship, railroad, and pipeline. The DOE's program will have a shortfall of about $4 million in the next biennium. This shortage means the DOE's program will be under staffed, and the ability to protect roadways and waterways from spills will be compromised. The program needs to be fully staffed. The program supports the people, property, and environment of Washington.

Historically, oil spill risk was limited to waterways. With the increase of oil transport by rail, the risk has increased on both sides of the state.

Both large and small scale oil spills can cause damage to the economy and environment. A large scale oil spill can shutdown recreational activity, and devastate commercial activity near waterways and tide beds. For example, the state's geoduck harvesting industry generates 21 million in revenue per biennium.

Fishing vessels and recreational boats are the greatest source of oil spills in Puget Sound. Many of these spills go unreported. Recreational boats reported oil spills of almost 6,000 gallons over the last five years. The toxins persist and can cause damage in the environment. In a 2014 study, the DOE estimated a major oil spill could cost the state 165,000 jobs, and 10.8 billion in annual economic activity in the following industries: fisheries, shellfisheries, tourism, national and state park use, ports, commercial vessels, marinas, and boating.

The prevention account also funds smaller programs that provide oil spill prevention education.

Eighty percent of the prevention and preparedness work is related to oil tank vessels, or movement of oil through pipelines. There is a strong nexus between the taxpayers and the objective of the work.

Fish and wildlife resources are economically and culturally important to our state, and they are susceptible to large oil spills. A dozen species native to the Pacific Northwest are already on the endangered or threatened species list, including the killer whale, Chinook salmon, and Puget Sound steelhead.

(Opposed) The bill would result in a 60 percent tax increase. The programs funded with the barrel tax should be closely reviewed before the tax is increased.

Washington has one of the best oil spill programs in the country. The petroleum industry has supported the prevention program, and did not oppose the extension of the barrel taxes to marine shipments and shipments by railroad.

A state review of the response and prevention program funding showed many sources of oil spill risks occurring across the state, and the nexus is not strong between the funding mechanism and the sources of risk. Another state study showed the majority of oil spills were not caused by large scale oil shipments.

Persons Testifying: (In support) Representative Farrell, prime sponsor; Clifford Traisman, Washington Conservation Voters; Bruce Wishart, Washington Environmental Council; Andy Carlson, Department of Fish and Wildlife; Dale Jensen, Department of Ecology; Jason Marquiss, Washington State Military Department; Megan Duffy, Department of Natural Resources; Penny Dalton, Washington Sea Grant; and Jeff Parsons, Puget Sound Partnership.

(Opposed) Greg Hanon, Western States Petroleum Association.

Persons Signed In To Testify But Not Testifying: None.