

SENATE BILL REPORT

HB 1498

As Reported By Senate Committee On:
Financial Institutions & Housing, March 17, 1995

Title: An act relating to extending the pollution liability insurance agency.

Brief Description: Extending the expiration date for the pollution liability insurance program.

Sponsors: Representatives L. Thomas, Wolfe, Dyer, Dellwo, Huff, Tokuda, Basich, Kessler, Blanton, Beeksma, Mielke, Hatfield and Hymes.

Brief History:

Committee Activity: Financial Institutions & Housing: 3/17/95 [DP].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar and Sutherland.

Staff: Catherine Mele (786-7470)

Background: In 1989, the Legislature created the Pollution Liability Insurance Agency (PLIA). This agency was created in response to the requirements of the Environmental Protection Agency (EPA) that owners and operators of petroleum underground storage tanks demonstrate financial responsibility for the cleanup of contamination resulting from spills or releases of petroleum.

After reviewing several proposals to assist the owners and operators of underground storage tanks with the financial responsibility requirements, the Legislature adopted the PLIA reinsurance program. The PLIA program provides reinsurance to commercial insurance companies which in turn provide pollution liability insurance to underground storage tank owners and operators in Washington.

The state's reinsurance program's objective is to improve the availability and affordability of pollution liability insurance for owners and operators of underground storage tanks by selling reinsurance at a price significantly below the private market price for similar insurance. The discount is passed to owners and operators of underground storage tanks through reduced insurance premiums and increased availability of insurance.

PLIA program and administrative expenses are paid from the pollution liability insurance agency trust account. To fund the program, the Legislature imposed a petroleum products tax of 0.50 percent on the first possession of any petroleum product in the state. The tax applies to the wholesale value of the petroleum product. Petroleum products exported for use and sale outside the state as fuel, and those products packaged for sale to ultimate consumers are exempt from taxation. Collection of the tax ceases whenever the account

balance exceeds \$15 million and resumes when the balance drops below \$7.5 million. The state has not collected the tax since July 1992.

In 1991, the Legislature directed PLIA to develop and implement the Underground Storage Tank Community Assistance Program to provide grants to rural and remote petroleum dealers to replace their underground storage tanks and clean up existing contamination. In order to be eligible for the grant program, the owner or operator must demonstrate serious financial hardship. In addition, the operation of the underground storage tank must be certified as vital for local government, public health, education, and safety needs. Assistance is limited to the amount necessary to supplement owner and operator financial resources and cannot be provided in an amount exceeding \$150,000 of which amount no more than \$75,000 can be expended for clean-ups.

PLIA expires on June 1, 1995.

Summary of Bill: The Pollution Liability Insurance Agency (PLIA) is extended until June 1, 2001.

The director is to publish an annual financial report on the pollution liability trust account.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: Witnesses referred to testimony provided on the companion Senate bill.

Testimony Against: None.

Testified: Mike Sciacca, Washington Oil Marketers Assn. (pro); Tim Hamilton, AUTO (pro); Vern Lindskog, WSPA (pro).