

HOUSE BILL REPORT

SB 5012

As Passed House:

April 8, 1999

Title: An act relating to the pollution liability insurance program trust account.

Brief Description: Administering the pollution liability insurance program trust account.

Sponsors: Senators Prentice, Winsley and Rasmussen; by request of Pollution Liability Insurance Agency.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 3/30/99, 4/1/99 [DP].

Floor Activity:

Passed House: 4/8/99, 95-0.

Brief Summary of Bill

- Payment of claims under the Pollution Liability Insurance Agency's reinsurance program is not subject to an Office of Financial Management (OFM) allotment schedule.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 11 members: Representatives Benson, Republican Co-Chair; Hatfield, Democratic Co-Chair; Bush, Republican Vice Chair; McIntire, Democratic Vice Chair; Cairnes; DeBolt; Keiser; Quall; Santos; Sullivan and Talcott.

Staff: Charlie Gavigan (786-7340).

Background:

In 1989, the Legislature created the Pollution Liability Insurance Agency (PLIA). The Legislature created PLIA in response to the requirements of the federal 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. 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 reinsurance program's objective is to improve the availability and affordability of pollution liability insurance for owners and operators of underground storage tanks by providing reinsurance at a price significantly below the private market price. The discount is passed on to owners and operators of underground storage tanks through reduced insurance premiums and increased availability of insurance.

PLIA's underground storage tank program expenses are paid from the pollution liability insurance agency trust account. To fund the programs, the Legislature imposed a petroleum products tax of .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 as fuel outside the state as well as 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.

PLIA's operating and administrative budget is appropriated through the legislative budget process and subject to allotment through OFM. Funds used for underground storage tank claim payments are not appropriated, but must be allotted through OFM.

PLIA is scheduled to expire on July 1, 2001.

Summary of Bill:

The PLIA's administrative and operating costs are appropriated by the Legislature and allotted by OFM. The requirement that all other expenditures from the trust account be allotted, such as payment of claims, is deleted. An expiration date for this clause is added consistent with expiration of PLIA in 2001.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Claims are difficult to pay through allotment because they do not arise on a schedule. PLIA's budget analyst and the state auditor recommended this change to statute so that current practices reflect what is authorized by statute.

Testimony Against: None.

Testified: (In support) Jim Simms, Pollution Liability Insurance Agency.