

SENATE BILL REPORT

SB 5937

As Reported By Senate Committee On:
Commerce, Trade, Housing & Financial Institutions, March 2, 1999

Title: An act relating to underground petroleum storage tanks.

Brief Description: Establishing a program to assist owners of underground petroleum storage tanks.

Sponsors: Senators Prentice, Benton, Haugen, Goings, Brown, Oke, Gardner, Winsley, Hale, Fraser and Rasmussen.

Brief History:

Committee Activity: Commerce, Trade, Housing & Financial Institutions: 2/23/99, 3/2/99 [DPS].

SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

Majority Report: That Substitute Senate Bill No. 5937 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Shin, Vice Chair; Benton, Gardner, Hale, Heavey, Rasmussen, T. Sheldon, West and Winsley.

Staff: Catherine Mele (786-7470)

Background: In 1989, the Legislature created a state Pollution Liability Reinsurance Program. The state program is administered by 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 programs are scheduled to expire on June 1, 2001.

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 excise 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.

The pollution liability insurance agency trust account is in the custody of the State Treasurer. The treasurer deposits in the treasury income account all earnings from investments from the pollution liability insurance agency trust account and other accounts in the custody of the treasurer. Each month the State Treasurer distributes all earnings from the treasury income account to the general fund. Some state funds and accounts receive their proportionate share of earnings from the treasury income account instead of having their earnings credited to the general fund.

Summary of Substitute Bill: The director of the Pollution Liability Insurance Agency is authorized to create a corrective action financial assistance program. The financial assistance program assists owners and operators of underground storage tanks in cleaning up past environmental contamination caused by releases of petroleum from leaking underground storage tanks. In order to qualify, the owner or operator must show financial hardship and may be insured by the Pollution Liability Insurance Program. Financial assistance is limited to \$75,000 per site. The director may not spend more than \$5 million for the financial assistance program. The director may adopt rules to implement the program. The pollution liability insurance agency receives a proportionate share of interest earnings from the treasury income account instead of having interest earnings credited to the general fund. These earnings are used to fund the corrective action financial assistance program.

The Pollution Liability Insurance Agency's responsibilities under the underground petroleum storage tank act are extended until June 1, 2006.

Substitute Bill Compared to Original Bill: Technical changes are made. The expiration of the responsibilities of the Pollution Liability Insurance Agency for underground storage tanks is changed from June 1, 2001, to June 1, 2006.

Appropriation: None.

Fiscal Note: Requested on February 22, 1999.

Effective Date: Ninety days after adjournment of session in which bill is passed except Section 3, which takes effect September 1, 2000.

Testimony For: The Model Toxics Control Act requires that small gas station owners clean up contamination resulting from petroleum products. These clean-ups are costly to the small business owner. This bill is a positive step in cleaning up pollution because it gives small mom and pop shops the necessary capital to complete a proper clean-up. These mom and pop shops can buy insurance with PLIA to protect against future liability, and they can use this program to assure that they have the ability to take care of past contamination.

Testimony Against: None.

Testified: Charles R. Brown, WA Oil Marketers Assn. (pro).

