

HOUSE BILL REPORT

HB 2941

As Reported by House Committee On:
Finance

Title: An act relating to creating a special impact mitigation assistance program to offset the impact of the construction of a nuclear waste treatment and immobilization plant.

Brief Description: Creating a special impact mitigation program to offset the impact of construction of a nuclear waste treatment and immobilization plant.

Sponsors: Representatives Delvin, Hankins, Grant and Kessler.

Brief History:

Committee Activity:

Finance: 2/11/02 [DPS].

Brief Summary of Substitute Bill

- Transfers certain state business and occupation tax revenues to local governments to help offset impacts from the construction of a nuclear waste treatment and immobilization plant.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Gombosky, Chair; Berkey, Vice Chair; Cairnes, Ranking Minority Member; Conway, Morris, Nixon, Orcutt, Roach, Santos, Van Loven and Veloria.

Staff: Mark Matteson (786-7145).

Background:

State Business and Occupation Tax

The business and occupation (B&O) tax is Washington State's major business tax. The tax is imposed on the gross receipts of business activities conducted within the state. For businesses that have construction contracts with the federal government, the tax is imposed at a rate of .484 percent. Revenues are deposited to the state general fund.

Hanford Tank Waste Removal, Treatment, and Disposal

In 1998, at the direction of the United States Congress, the Office of River Protection (ORP) was established to manage the environmental cleanup project at the Hanford Nuclear Reservation. The Hanford site is host to 60 percent of the nation's nuclear waste. One of the objectives of the ORP is to construct and put into operation a waste treatment and immobilization facility that by the year 2018 will treat at least 10 percent of Hanford's tank waste. Site preparation of the facility, for which the construction cost has been estimated at \$900 million, began in September 2001. Construction on the facility could begin in the fall of 2002.

Hanford Communities

In 1994 the Hanford Communities was founded as an intergovernmental cooperative organization of Benton County and the cities of Richland, Kennewick, Pasco, West Richland, and Benton. The Hanford Communities is designed to be a coordinated organization to provide unified advice and support to the United States Department of Energy on important issues relating to the Hanford Nuclear Reservation.

Summary of Substitute Bill:

State business and occupation taxes collected from a prime contractor responsible for the construction of a nuclear waste treatment and immobilization plant are transferred to a new account, the Nuclear Waste Mitigation Account, through the year 2012. The State Treasurer will distribute up to two million dollars annually from the account to the county where the construction takes place. The Hanford Communities will devise a formula for the county to distribute moneys to local governments.

Interest earned on the account balance is retained in the account.

Substitute Bill Compared to Original Bill:

Provides that interest earned on the account balance is retained in the account.

Appropriation: None.

Fiscal Note: Requested February 11, 2002.

Effective Date of Substitute Bill: The bill takes effect on July 1, 2002.

Testimony For: (on a substantially similar bill, HB 2693). The plan is now in place to turn radioactive waste into glass logs at Hanford. If we didn't stabilize the waste, then the problem would just get worse and create serious ecological problems. Now, after years of false starts, the money is finally in place and we're ready to move ahead. If we

don't go forward now, I'm worried that Congress will change its mind and it will be the kiss of death for the project.

During the construction phase of the treatment plant, a five-year process, the local community is going to be hit with a multimillion dollar impact. Local communities have no recourse for trying to capture much of the revenues, since the project is being done on federal land. The impacts from in-migrant workers is already being felt. It is like bringing a small city to your community. The demands on existing services are overwhelming, and service levels are degenerating. We want to make sure that no community has to sacrifice its well-being. Schools are an example of a public program that is funded out of property taxes, which we can't use to recoup revenues in this case.

Testimony Against: None.

Testified: (on a substantially similar bill, HB 2693) Representative Delvin, prime sponsor; Senator Hewitt, sponsor of similar Senate bill; Senator Hale, sponsor of similar Senate bill; Carol Moser, city of Richland; James Beaver, city of Kennewick; John Darrington, city of Richland; and Robert Kelly, city of Kennewick.

(With concerns) Alan Lynn, Department of Revenue.