

SENATE BILL REPORT

SB 5996

As Reported by Senate Committee On:
Ways & Means, April 18, 2019

Title: An act relating to funding fire prevention and suppression activities.

Brief Description: Funding fire prevention and suppression activities.

Sponsors: Senators Van De Wege, Rolfes, Frockt, Billig, Keiser, Liias, Hunt and Randall.

Brief History:

Committee Activity: Ways & Means: 4/08/19, 4/18/19 [DPS, DNP].

Brief Summary of First Substitute Bill

- Creates a surcharge on property and casualty insurance premiums of 0.52 percent.
- Allocates the revenue raised to the new Wildfire Prevention and Suppression Account.
- Prioritizes expenditures from the Wildfire Prevention and Suppression account in the following order: (1) emergency fire fighting, (2) preparedness, (3) fire suppression activities of agencies other than DNR, (4) fire prevention, and (5) forest health activities.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5996 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Billig, Carlyle, Conway, Darneille, Hasegawa, Hunt, Keiser, Liias, Palumbo, Pedersen and Van De Wege.

Minority Report: Do not pass.

Signed by Senators Mullet, Capital Budget Cabinet; Braun, Ranking Member; Brown, Assistant Ranking Member, Operating; Honeyford, Assistant Ranking Member, Capital; Bailey, Becker, Schoesler, Wagoner, Warnick and Wilson, L..

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.

Staff: Jed Herman (786-7346)

Background: Wildfire Suppression. The Department of Natural Resources (DNR) has the primary responsibility and authority to respond to suppressing wildland fires on state-protected lands. Wildland fire fighting is a coordinated effort between DNR, local fire districts, and federal agencies, as well as other state agencies like the Fire Marshal's Office of the Washington State Patrol and the Military Department. DNR, and under certain circumstances, the Fire Marshal's Office, cover the cost of other entities as prescribed through coordination agreements. Costs for suppressing fires on lands under State jurisdiction are paid for out of state funds.

The omnibus operating budget appropriates funds to DNR and other state agencies for emergency fire fighting. When the costs for suppressing wildland fires exceeds appropriation authority, DNR and the Fire Marshal's Office request the difference through the supplemental budget process, and the Legislature makes the additional appropriation. Historically, the additional funds have come mostly through state general funds, the Budget Stabilization Account, and the Disaster Response Account.

DNR also leads efforts within various communities on wildfire prevention. Programs like Firewise are implemented to help homeowners who live in wildfire prone areas to engage in practices that minimize the risk of potential wildfires from burning their homes and property.

Forest Health. Forest health activities are those that proactively remove excessive vegetation in forest stands, thereby reducing the risk of a potential wildfire from reaching catastrophic levels. Forests that have been thinned tend to have less severe fire intensity and therefore become less costly for fire suppression activities should a fire occur.

The state capital budget has had various levels of appropriation to DNR and the Department of Fish and Wildlife since 2009 for conducting forest health activities on state owned lands as well as assisting small forestland owners with their lands.

In the 2017-19 biennium, the legislature enacted laws requiring DNR to develop a forest health assessment and treatment framework designed to address the forest health issues facing the state. A specific goal of the framework is to assess and treat one million acres by 2033. For each biennium, the framework must include:

- a plan to identify and assess 200,000 acres of fire-prone lands and communities in need of treatment, such as through prescribed fire or mechanical treatment
- prioritization of areas assessed in the previous biennium and treatment of as many of those acres as possible with available funding; and
- a biennial progress review and reporting process that includes providing funding requests, planned treatments, reporting completed treatments and barriers to framework implementation to the Legislature and Office of Financial Management.

Insurance Premiums. Insurance companies pay a 2 percent tax on the insurance premiums they collect in this state. This tax rate is in lieu of insurance companies paying a business & occupation tax.

Summary of Bill (First Substitute): Revenue. A dedicated source of revenue to fund fire suppression, prevention and forest health activities is established. The tax on property and casualty insurance premiums is increased from a current level of 2 percent to a new level of 2.52 percent. The revenue will be deposited into a new Wildfire Prevention and Suppression Account.

New Account. The new Wildfire Prevention and Suppression Account is an appropriated account specifying expenditures in the following priority:

- emergency fire fighting;
- preparedness including staging fire-fighting resources, investments in aerial assets and the creation of a fire training academy;
- fire suppression activities of agencies other than DNR;
- fire prevention, including Firewise and fire-adapted communities programs; and
- forest health activities.

Forest health activities may be paid for with funds in excess of \$80 million in the account. The Forest Health Advisory Committee and the Wildland Fire Advisory Committee may provide recommendations for investments from the account.

Joint Legislative Audit and Review Committee. By July 1, 2025, the Joint Legislative Audit and Review Committee, in consultation with DNR and the Office of the Insurance Commissioner, must report on the effectiveness of the expenditures made by this act, the amount of revenue raised, the number and type of policies the tax created in the act applies to, and make recommendations on any changes.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Adds prevention, preparedness, and recovery as allowed activities for certain state agencies.
- Changes funding requirements of forest health activities from being allowed once fund balance exceeds \$80 million to being subject to available appropriations for the specific purpose.
- Replaces the additional premium tax with a stand-alone surcharge on gross receipts and makes technical changes in the administration of collections.
- Allows insurers to recoup the cost of the surcharge from policy holders. Specifies that the wildfire surcharge may not be included in the calculation of any retaliatory taxes, licenses, fees, deposits, or other obligations or prohibitions imposed by the section.
- Changes the date that revenues are due effective July 1, 2019.
- Exempts medical professional liability businesses from the wildfire surcharge.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: We have a wildfire crisis here in the state. It impacts all of us. The cost that worries me most is the safety of our own people. Please support the dedicated funding needed to support our wildfire needs. Washington Public Employees Association supports this bill. It will help us prepare for extensive fire seasons. The Nature Conservancy supports the bill and agrees about the need for dedicated funding for forest health. The PUD association supports this legislation. We are committed to this strategy as it will help in meeting our responsibility to keeping the lights on. The Department of Fish and Wildlife supports this solution. We need to make forest health work a high priority. We need some certainty for the dispersement of funding in section 3 for other state agencies. Washington Fire Chiefs support this bill. We are looking for ways to improve the ways we keep people safe. All the things listed by the insurance folks as affected by the tax are also affected by wildfires. We have been fighting more fires early and late in the season than any point in history. We have to make different decisions to get different outcomes. Washington Council of Firefighters supports this bill. This upfront investment pushes back against the devastation that has become the norm.

CON: We are opposed to the taxes in the bill. We view funding wildfire suppression is a societal priority, not just an insurer priority. We already pay a 2 percent tax, that could be used for this purpose. Consumers are price sensitive, it would be a mistake to assume a few dollars would not have a negative impact to the insured. Retaliatory tax in other states would hamper our ability to compete in other states. We believe the state should fund fire prevention and forest health, but should find another source of funding. We are concerned about bills that make Washington a less competitive place for business. We would include additional metrics for JLARC to study regarding the affects on insurance consumers. Businesses purchase a number of insurance products and are concerned that this bill will increase our costs. And we are concerned that there is not a nexus between the insurance we purchase and wildfire costs.

OTHER: We support the Commissioner in the need for dedicated funding for prevention and forest health. Industry already provides funding for fire fighting. We are committed to working collaboratively on this legislation.

Persons Testifying: PRO: Seamus Petrie, Washington Public Employees Association; Hilary Franz, Commissioner of Public Lands, Department of Natural Resources; Mike Stevens, Executive Director, The Nature Conservancy; George Caan, Washington PUD Association; Dave LaFave, Fire Chief, Cowlitz 2 Fire & Rescue; Cynthia Wilkerson, Department of Fish and Wildlife; Bud Sizemore, Washington State Council of Fire Fighters.

CON: Mel Sorensen, APCIA, Allstate, American Family Insurance; Clark Sitzes, Professional Insurance Agents WA/AK; Dan McGrady, PEMCO Insurance; Jean Leonard, Washington Insurers, National Association of Mutual Insurance Companies, State Farm, Nationwide; Clay Hill, Association of Washington Business; Jan Himebaugh, Washington Construction Industry Council.

OTHER: Mark Doumit, Washington Forest Protection Association.

Persons Signed In To Testify But Not Testifying: No one.