

# SENATE BILL REPORT

## SB 5621

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As of February 9, 1995

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

**Brief Description:** Transferring the functions of the pollution liability program to the department of general administration.

**Sponsors:** Senator Prentice; by request of Office of Financial Management.

**Brief History:**

**Committee Activity:** Financial Institutions & Housing: 2/10/95.

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### SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

**Staff:** David Cheal (786-7576)

**Background:** In 1986, Congress enacted legislation to regulate underground storage tanks (USTs) containing petroleum products. The legislation directed the Environmental Protection Agency to develop a comprehensive regulatory program governing USTs, including standards for improving or upgrading USTs, correcting pollution from leaks from USTs, and for obtaining liability insurance or an acceptable insurance substitute covering liability for clean-up and third party damages. These regulations were adopted over the past several years and compliance with various parts of the regulations is required at different times over the next few years.

After reviewing several proposals to assist owners of USTs in complying with federal financial responsibility regulations, the Legislature adopted legislation creating a state pollution liability reinsurance program in 1989. The program provides insurance to insurance companies (reinsurance) that in turn provide insurance to UST owners and operators. The program is administered by the Pollution Liability Insurance Agency (PLIA).

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

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 that are exported for use or sale outside of the state as fuel, and that are packaged for sale to ultimate consumers, are exempt from taxation. Proceeds from the tax are deposited into the Pollution Liability Reinsurance Program Trust Account to fund the reinsurance program. Collection of this tax must cease whenever the account balance exceeds \$15 million and collection may resume when the balance drops below \$7.5 million. The tax has not been collected since July 1992.

In 1991, the Legislature established the Underground Storage Tank Community Assistance Program (USTCAP) to provide financial assistance to public and private owners and operators of underground storage tanks (USTs) that have been certified by the governing body of the county, city, or town in which the USTs are located as meeting vital local government or public health and safety needs.

Financial assistance cannot be provided unless owners and operators, including local government owners and operators, demonstrate serious financial hardship. Assistance is limited to that 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 sunsets (expires) on June 30, 1995.

**Summary of Bill:** The functions of the Pollution Liability Insurance Agency (PLIA) are extended until June 1, 2001. PLIA is abolished as a separate state agency; its functions are transferred to the Department of General Administration.

**Appropriation:** None.

**Fiscal Note:** Available.

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