

SENATE BILL REPORT

SB 5858

As Reported by Senate Committee On:
Financial Institutions, Economic Development & Trade, February 21, 2019

Title: An act relating to funding and uses of the military department active state service account.

Brief Description: Concerning funding and uses of the military department active state service account.

Sponsors: Senators Hobbs and Zeiger.

Brief History:

Committee Activity: Financial Institutions, Economic Development & Trade: 2/14/19, 2/21/19 [DPS-WM, DNP, w/oRec].

Brief Summary of First Substitute Bill

- Directs \$1 million dollars collected from insurance premiums on the first day of each biennium to be deposited into the Military Department Active State Service Account.
- Expands the uses of funds in the Military Department Active State Service Account to include state disaster planning and response, as well as facility maintenance.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Majority Report: That Substitute Senate Bill No. 5858 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Mullet, Chair; Wilson, L., Ranking Member; Das, Ericksen and Hobbs.

Minority Report: Do not pass.

Signed by Senator Hasegawa, Vice Chair.

Minority Report: That it be referred without recommendation.

Signed by Senator Braun.

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: Clint McCarthy (786-7319)

Background: Insurance Premium Tax. Subject to certain exclusions, each authorized insurer must pay a premium tax on March 1st of each year equivalent to 2 percent of all insurance premiums.

Military Department Active State Service Account. Funding may be placed in this account from legislative appropriations and transfers, federal appropriations, or any other lawful source. Funding may only be used after appropriation. Expenditures from this account include claims and expenses for the Army National Guard called into active state service to perform duties not paid for from non-appropriated funds.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (First Substitute): Directs \$1 million dollars collected from insurance premiums on the first day of each biennium to be deposited into the Military Department Active State Service Account. The permissible expenditures from the Military Department Active State Service Account are expanded to include:

- the Military Department's state disaster planning, training, exercising, and response; and
- maintenance of military department facilities.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE COMMITTEE (First Substitute):

- Removes the .02 percent premium tax and directs \$1 million dollars out of the existing insurance premium tax to be redirected to the Military Department State Service Account each biennium.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill takes effect on January 1, 2020.

Staff Summary of Public Testimony on Proposed Substitute: *The committee recommended a different version of the bill than what was heard.* PRO: This bill is about America and freedom. In order to fight fires and floods, the Army National Guard needs to get more funding from the state. They need better equipment and need to fight issues at home. For \$200,000 you can train hundreds of serviceman to fight fires. Because there is not a dedicated fund source, the ARNG loses training opportunities all the time. As a result, training is given out just in time and it creates a lag between when services are requested from the ARNG and when they are delivered.

CON: Insurers currently pay a 2 percent premium tax that goes into the general fund. None of that goes to OIC. There is a separate surcharge that pays for the industry. It is the highest

tax imposed on an industry in the state. While the uses of the fund outlined out of the bill are worthy of appropriation, the state should be able to find \$1 million dollars per biennium out of a \$50 billion dollar budget. One of the problems with this proposal is that it singles out insurance policyholders to pay more to protect what they are already protecting through paying insurance premiums. Industry would support the bill if funding would be if they directed \$1 million dollars per biennium from the general fund to the ARNG.

OTHER: Traditionally, the Office of the Insurance Commissioner (OIC) does not support surcharges on top of the insurance premium. This bill goes to a specific purpose that funds disaster preparedness, and the OIC is still considering its position on the bill.

Persons Testifying: PRO: Senator Steve Hobbs, Prime Sponsor.

CON: Mel Sorensen, American Property Casualty Insurance Association; Kenton Brine, NW Insurance Council; Jean Leonard, Washington Insurers, NAMIC, State Farm.

OTHER: Lonnie Johns-Brown, Office of the Insurance Commissioner.

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