

# SENATE BILL REPORT

## SB 5103

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As of January 20, 2003

**Title:** An act relating to the financial responsibility of onshore and offshore facilities.

**Brief Description:** Requiring onshore and offshore facilities to demonstrate adequate financial responsibility.

**Sponsors:** Senators Fairley, Morton and Fraser.

**Brief History:**

**Committee Activity:** Natural Resources, Energy & Water: 1/23/03.

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### SENATE COMMITTEE ON NATURAL RESOURCES, ENERGY & WATER

**Staff:** Richard Rodger (786-7461)

**Background:** Financial responsibility requirements are established to ensure that individuals and businesses have the ability to pay for any damages that may result from their activities. Financial responsibility requirements are used in a variety of state laws covering such people as contractors, pesticide applicators, motor vehicle operators, and operators of large vessels. Financial responsibility is generally proved or shown by: (1) evidence of insurance; (2) surety bonds; (3) qualification as a self-insurer; or (4) other evidence of financial responsibility as determined by a state agency.

In 1991 the Legislature adopted a scheme of financial responsibility for onshore and offshore facilities. These facilities are used to produce, store, and handle oil and oil-based products. There are currently 42 oil handling facilities of various sizes in the state.

The Department of Ecology was directed to evaluate the amount of financial responsibility required as necessary to pay for damages arising from a "reasonable worst case spill of oil" from the facilities to the navigable waters of the state. For each facility, the department was directed to consider: (a) the amount of oil that could be spilled to water; (b) the cost of clean up; (c) the frequency of operations at the facility; (d) the amount of damages that could arise; and (e) the commercial availability and affordability of the coverage.

The department evaluated the costs of imposing these requirements and determined, at that time, the costs would be burdensome on many smaller facilities.

In 2000 the North Puget Sound Oil Spill Risk Management Panel, formed by the U.S. Coast Guard and the Department of Ecology, recommended the state review its standards for imposition of liability or other spill response requirements related to discharge or substantial threat of discharge of oil.

**Summary of Bill:** The financial responsibility requirement for onshore and offshore facilities must be set in rule. The financial responsibility coverage is extended to include penalties and

finer. The Department of Ecology must contract for an independent economic analysis of the adequate level of responsibility for onshore and offshore facilities. In adopting the rule, the department must consider the availability and affordability of the coverage for both large and small facilities.

**Appropriation:** None.

**Fiscal Note:** Requested on January 16, 2003.

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