

# SENATE BILL REPORT

## SB 6207

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As Reported By Senate Committee On:  
Water, Energy & Environment, January 25, 2006  
Ways & Means, February 7, 2006

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

**Brief Description:** Reauthorizing the pollution liability insurance agency.

**Sponsors:** Senators Rockefeller, Morton, Poulsen and Kline.

**Brief History:**

**Committee Activity:** Water, Energy & Environment: 1/19/06, 1/25/06 [DPS].  
Ways & Means: 2/2/06, 2/7/06 [DP2S].

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### SENATE COMMITTEE ON WATER, ENERGY & ENVIRONMENT

**Majority Report:** That Substitute Senate Bill No. 6207 be substituted therefor, and the substitute bill do pass.

Signed by Senators Poulsen, Chair; Rockefeller, Vice Chair; Morton, Ranking Minority Member; Delvin, Fraser, Honeyford, Mulliken and Pridemore.

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

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Second Substitute Senate Bill No. 6207 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Fairley, Kohl-Welles, Parlette, Pflug, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

**Staff:** Kirstan Arestad (786-7708)

**Background:** The Washington State Pollution Liability Insurance Agency (PLIA) was created in 1989 to make pollution liability insurance available and affordable to the owners and operators of regulated underground petroleum storage tanks (USTs).

In 1991, PLIA was directed to provide grants to owners of USTs at remote and rural gas stations to upgrade their tanks. In 2005, the Legislature directed PLIA to provide an additional one million dollars for these grants. The agency's duties were expanded again in 1995 requiring it to assist owners and operators of heating oil tanks by offering reinsurance services to the insurance industry.

PLIA and its programs are funded from the Pollution Liability Trust Account (Trust Account) and the Heating Oil Pollution Liability Trust Account. The main source of revenue for PLIA is the Petroleum Products Tax (PPT), an excise tax of 0.5 percent on the wholesale value of petroleum on the first introduction into the state. The PPT is only collected when the unrestricted cash balance in the Trust Account falls below \$7.5 million and stops when the account reaches \$15 million. Since 1991, interest earned by the Trust Account has been transferred to the state general fund.

Revenue for the Heating Oil Pollution Liability Trust Account is generated by the 1.2 cents per gallon fee paid yearly by heating oil dealers. This revenue covers the administrative costs of the program, the insurance premium, and a portion of the cleanup costs. The remaining claim costs are paid out of the Trust Account.

PLIA is scheduled to expire on June 1, 2007.

**Summary of Second Substitute Bill:** The expiration date for the Pollution Liability Insurance Agency (PLIA) and its programs, set for June 1, 2007, is extended until 2013. The PLIA director is no longer required to evaluate the effects of the program on the private market for liability insurance, nor required to make recommendations to the Legislature concerning continuance of the program. Other outdated reporting requirements and expired provisions are repealed.

The expiration date for the petroleum products tax (PPT) is also extended until 2013.

**Second Substitute Bill Compared to Substitute Bill:** The second substitute removes the provision allowing the trust account to retain interest earnings.

**Substitute Bill Compared to Original Bill:** PLIA, its programs, and its associated revenue sources are extended until June 1, 2013, instead of extended permanently.

**Appropriation:** None.

**Fiscal Note:** Requested on January 11, 2006.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** The bill takes effect in 90 days, except for section 5 which takes effect on July 1, 2006.

**Testimony For (Water, Energy & Environment):** PLIA has been a success story. The agency has allowed small gas stations to stay in business by making pollution liability insurance available and affordable. It has also assisted owners of rural gas stations through grants that assist them in cleanups. The agency has also assisted homeowners who have leaking heating oil tanks on their property with funds for cleanups and reinsurance services for the insurance industry. The agency has been extended twice before and should be made permanent at this time.

**Testimony Against (Water, Energy & Environment):** None.

**Testimony Other (Water, Energy & Environment):** This agency should continue to have an expiration date to ensure the Legislature reviews the need for the program and the

associated taxes and fees that support it. The program should expire in 2013, allowing the review to occur in six years from now. The Legislature should not transfer any resources out of PLIA's trust accounts to the general fund.

**Who Testified (Water, Energy & Environment):** PRO: Senator Phil Rockefeller, prime sponsor; Lynn Gooding, Acting Director, PLIA; Charlie Brown, Washington Oil Marketers Association.

OTHER: Greg Hanon, Western State Petroleum Association.

**Testimony For (Ways & Means):** The agency prefers extending PLIA permanently, but accepts the 2013 expiration date.

**Testimony Other (Ways & Means):** The petroleum industry supports this bill because the transfer of interest provision was included.

**Who Testified (Ways & Means):** PRO: Lynn Gooding, Acting Director, PLIA.

OTHER: Greg Hanon, Western State Petroleum Association.