
**Agriculture & Natural Resources
Committee**

HB 1488

Brief Description: Enhancing the state's oil spill response program.

Sponsors: Representatives B. Sullivan, Upthegrove, Appleton, Dunshee, Hunt, Dickerson, VanDeWege, Campbell, Kessler, Eickmeyer, McCoy, Chase, Green, Sells, Kenney, Ericks, Roberts, Lantz, Goodman, Wood, Kagi, Moeller and Rolfes.

Brief Summary of Bill

- Requires the Department of Ecology to enter into contracts for a contingency tug program and a year-round tug in the Strait of Juan de Fuca.
- Repeals the export credit for the Oil Spill Administration Tax and the Oil Spill Response Tax.
- Eliminates the requirement that suspends collection of the Oil Spill Response Tax if the Oil Spill Response Account has a balance greater than \$9 million.
- Creates a new Oil Spill Prevention and Response Service Transfer Tax on the transfer of refined oil products from or to a vessel.
- Expands the allowable uses for money in the Oil Spill Prevention Account.

Hearing Date: 1/29/07

Staff: Jason Callahan (786-7117).

Background:

Oil Spill Advisory Council

In 2005, the Legislature created the Oil Spill Advisory Council (Council) to provide advice as to how the state can maintain its vigilance in the prevention of oil spills [RCW 90.56.120]. The

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.

Council is composed of 16 members representing various perspectives and a non-voting chair. The Council submitted a required report to the Legislature in 2006 that outlined proposals for long-term, sustainable funding for oil spill prevention, preparedness, and response [RCW 90.56.130].

Current oil spill funding structure

Many of the oil spill-related duties of the Department of Ecology (Department) are funded through two taxes on the receipt of crude oil at a marine terminal [RCW 82.23B.020]. The Oil Spill *Response* Tax (Response Tax) is levied at the rate of 1 cent per barrel, and the Oil Spill *Administration* Tax (Administration Tax) is levied at the rate of 4 cents per barrel. There is a credit available against these taxes for petroleum products that are subsequently exported from the state once they are received [RCW 82.23B.040].

The Response Tax and the Administration Tax are deposited in separate accounts, which both fund various activities by the Department. The 4 cent Administration Tax is deposited into the Oil Spill *Prevention* Account (Prevention Account) [RCW 90.56.510]. Money in the Prevention Account may be used by the Department for activities related to the prevention of oil spills, including vessel plan reviews and public outreach.

The 1 cent Response Tax is deposited into the Oil Spill *Response* Account (Response Account) [RCW 90.56.500]. Money in the Response Account is used to pay for the costs associated with responding to spills of crude oil. If at any time the Response Account has a balance greater than \$9 million, the Department of Revenue suspends the collection of the Response Tax.

Rescue tug

Until the end of Fiscal Year 2007, 16.60 percent of certain motor vehicle certification fees is dedicated to a Vessel Response Account [RCW 46.68.020]. Money in the Vessel Response Account is used by the Department to fund the placement of a rescue tug near the mouth of the Strait of Juan de Fuca. [RCW 90.56.335]. After the end of Fiscal Year 2007, the portion of the vehicle certification fees reserved to fund a rescue tug lapses into an account managed by the Department of Transportation for road construction.

Summary of Bill:

Tug programs

The Department is required to conduct two different tug programs. The first program is a contingency tug program. This program requires the Department to enter into contracts that allow it to, as needed, strategically place rescue or response tugs in strategic locations.

The second tug program requires the Department to enter into a contract that provides for a permanently stationed, year-round rescue tug located in the western Strait of Juan de Fuca. In entering into contracts for a rescue tug, the Department must give contracting preference to vessels capable of operating in extreme weather and capable of providing spill response, firefighting, and early salvage activities.

Changes in oil spill funding

Changes are made in the collection of both the Administration Tax and the Response Tax. The credit against these taxes available to receivers of crude oil is repealed. Also repealed is the provision that mandates the Department of Revenue to stop collection of the Response Tax if the Response Account has a balance greater than \$9 million. In addition, both the Administration Tax and the Response Tax are scheduled to increase by the fiscal growth factor at the end of each fiscal biennium.

A new tax, the Oil Spill Prevention and Response Service Transfer Tax (Transfer Tax), is levied against the transfer of *refined* oil product from or to a vessel that is located on, over, or near the waters of the state. The Transfer Tax is collected by the Department of Revenue, and is levied at a rate of 5 cents per barrel. Like the taxes on crude oil, the Transfer Tax is also scheduled to increase by the fiscal growth factor at the end of each fiscal biennium. Revenue from the Transfer Tax is dedicated to the Oil Spill Prevention Account.

Changes in account structures

The structure of the Response Account is altered. When the balance of the Response Account reaches \$9 million, instead of suspending the collection of the 1 cent Response Tax, the additional revenue above \$9 million is transferred to the Prevention Account.

The Prevention Account is changed both in terms of revenue and expenditures. In terms of revenue, the Prevention Account is designated to receive the proceeds of the Transfer Tax. It is also the designated recipient of all legislative appropriations dealing with oil spill management and the transfer of funds over \$9 million in the Response Account.

The permitted expenditures of the Prevention Account are expanded to include funding for the contingency tug program, the rescue tug, the activities of the Council, and transfers to the account that funds the Department of Natural Resources derelict vessel removal program. The first \$1 million used from the Prevention Account each biennium must be used to fund the contingency tug program.

Appropriation: None.

Fiscal Note: Requested on January 22, 2007.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.