

SENATE BILL REPORT

SHB 2182

As of April 28, 2017

Title: An act relating to creating the tiered taxation on hazardous substance possession to provide for the current program's immediate needs and a more stable source of revenue in the future act of 2017.

Brief Description: Relating to providing a tiered tax on the possession of hazardous substances to provide for the current program's immediate needs and a more stable source of revenue in the future.

Sponsors: House Committee on Capital Budget (originally sponsored by Representative Peterson).

Brief History: Passed House: 4/12/17, 50-47.

Committee Activity: Ways & Means: 4/19/17.

Brief Summary of Bill

- Establishes a tiered rate for the Hazardous Substance tax based on specific thresholds for fiscal years 2018 through 2025.
- Requires the Department of Ecology, in consultation with the Department of Revenue, to provide reports every two years regarding revenues, projected operating, and capital demand related to cleanup and stormwater projects.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dean Carlson (786-7305) and Jed Herman (786-7346)

Background: Model Toxics Control Act (MTCA). The MTCA, which is administered and enforced by the Department of Ecology (DOE), requires liable parties to clean up sites contaminated with hazardous substances, and it authorizes the DOE to conduct certain pollution prevention activities. Under the MTCA, the State Toxics Control Account (STCA) and the Local Toxics Control Account (LTCA) provide for hazardous and solid waste planning, contaminated site cleanup grants to local governments, and other activities related to hazardous waste prevention, management, and remediation. The Environmental Legacy Stewardship Account (ELSA), created in 2013, provides grants or loans to local governments

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for performance and outcome-based projects, model remedies, demonstrated technologies, procedures, contracts, and project management and oversight that result in significant reductions in the average time spent to complete other authorized projects.

Hazardous Substance Tax. There is a privilege tax on the first possession of hazardous substances in Washington. Hazardous substances include petroleum products, pesticides, and certain chemicals determined by the DOE to present a threat to human health or the environment if released into the environment.

The Hazardous Substance Tax (HST) is based on the wholesale value of the hazardous product. The tax rate is 0.7 percent. All receipts from this tax are distributed as follows:

- 56 percent of the first \$140 million per fiscal year to the STCA;
- 44 percent of the first \$140 million per fiscal year to the LTCA; and
- any amount collected over \$140 million per fiscal year to the ELSA.

In fiscal year (FY) 2013, the HST collected over \$198 million. In the subsequent FY, that amount declined. In FY 2016, the HST collections were \$113.2 million.

Summary of Bill: The HST is revised. For FYs 2018 through 2025, an annual tiered tax rate on hazardous substances is established based on tiered thresholds. The tiered rates are as follows:

- 0.9 percent until HST revenues collected in the FY reach \$110 million;
- 0.7 percent until HST revenues collected in the FY reach \$170 million; and
- 0.21 percent until the first day of the next FY.

The Department of Revenue (DOR) must adjust the thresholds on a biennial basis by the fiscal growth factor, as computed by the Expenditure Limit Committee. The DOR must provide notice as soon as practicable on its website of changes to the rate.

The DOE, in consultation with the DOR, must provide a report by October 1 of 2018, 2020, 2022, and 2024. The report must include operating and capital projected demand, including lists and cost estimates, for cleanup projects and stormwater projects, and include other financing or revenues used for stormwater projects. It must also include an overview of general costs and a timeline to complete projects related to clean up and stormwater, projected revenues under the flat rate, and projected revenues under the tiered rate.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2017.

Staff Summary of Public Testimony: PRO: The policy provides a smoothing action to revenue fluctuations and will help fund clean-up projects. We need more staff at DOE to help respond to businesses who want to clean up project sites—the current wait times are too long. The increased funds will help on both operating and capital budgets. This bill will help

fund current projects that are on hold and bring economic development. This bill helps address the MTCA shortfall and the volatility of revenue. Counties need revenue for prevention programs. Stormwater causes 75 percent of pollution; this bill is needed to address the problem. The ports need more help to fund remedial action grants. There is no movement to shift environmental programs out of MTCA; therefore, we need this bill but should also discuss structure changes.

CON: We don't need this policy as the forecast has revenues coming back to levels seen at the peak in 2011. DOE already has the ability to recoup 100 percent of needed revenue to cover costs. Propane should not be considered a hazardous substance. We need to maintain certainty for the agricultural industry and not drive up the input costs on farmers. This bill drives up the input costs on farmers and foresters; stop over committing the account. This is nothing short of a tax increase on farmers.

Persons Testifying: PRO: Rep. Strom Peterson; A-P Hurd, Touchstone; Darcy Nonemacher, Washington Environmental Council; Carl Schroeder, Assn. of Washington Cities; Denise Clifford, Dept. of Ecology; Laura Berg, WA State Assn. of Counties; Jeff Parsons, Puget Sound Partnership; Jim Hedrick, Port of Everett; Gerry O'Keefe, Ports Association.

CON: Greg Hanon, Western States Petroleum Association; Mary Catherine McAleer, Association of Washington Business; Mel Sorensen, Pacific Propane Gas Association; Tom Davis, Washington State Farm Bureau; Heather Hansen, Washington Friends of Farms & Forests; Dan Coyne, Washington State Council of Farmer Cooperatives.

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