

# SENATE BILL REPORT

## SHB 2678

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As Reported By Senate Committee On:  
Water, Energy & Environment, February 23, 2006  
Ways & Means, February 27, 2006

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

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

**Sponsors:** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Kagi, Kretz, B. Sullivan and Ericks; by request of Pollution Liability Insurance Agency).

**Brief History:** Passed House: 2/14/06, 95-1.

**Committee Activity:** Water, Energy & Environment: 2/23/06 [DPA-WM].  
Ways & Means: 2/27/06 [DPA].

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### SENATE COMMITTEE ON WATER, ENERGY & ENVIRONMENT

**Majority Report:** Do pass as amended and be referred to Committee on Ways & Means.

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

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

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass as amended.

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 also expanded, requiring PLIA 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 (PLT) 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 PLT Account falls below \$7.5 million and stops when the account reaches \$15 million. Since 1991, interest earned by the PLT 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 PLT Account. PLIA is scheduled to expire on June 1, 2007.

**Summary of Amended Bill:** The expiration date for the Pollution Liability Insurance Agency (PLIA) and its programs, set for June 1, 2007, is extended until June 1, 2013. The interest generated by the PLT Account will remain in the PLT Account rather than being transferred to the state general fund.

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.

**Ways & Means Amended Bill Compared to Water, Energy & Environment Amended Bill:** The Ways and Means amendment removes the provision that allows the Pollution Liability Trust Account to retain its interest earnings.

**Water, Energy & Environment Amended Bill Compared to Original Bill:** The expiration date for PLIA is extended to 2013, instead of being repealed.

**Appropriation:** None.

**Fiscal Note:** Available.

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

**Effective Date:** The bill contains several effective dates. Please refer to the bill.

**Testimony For:** PLIA provides an important function in making insurance affordable and available for owners of underground storage tanks. The interest earned by the trust account should remain with the program as provided in the bill.

**Testimony Against:** None.

**Who Testified:** PRO: Greg Hanon, Western State Petroleum Association; Lynn Gooding, acting director, PLIA.