



WOMA is a member of the Western Petroleum Marketers Association (WPMA)



July 17, 2015

Washington Oil Marketers Association (WOMA) 2015 Washington State Legislative – Final Report

Overview

On Friday, July 10 the Legislature finally concluded its work after a record 178 days. This included a 105-day regular session, two 30-day special sessions and a third special session that was scheduled to be one or two days, but ended up at thirteen after Senate democrats reneged on a prior budget deal that required further unnecessary delay.

Posturing between the two parties began before the session start date of January 12. Despite coming into the year with more than \$3 billion in new revenues over the prior budget period, House democrats (holding a 51 – 47 majority) and Governor Inslee declared an additional \$1.5 billion was needed to meet all of the State's needs. In contrast, Senate republicans (holding a 27 – 22 majority, including one democrat in their number) declared no new revenues were needed, even in the face of court ordered obligations regarding K-12 education funding.

Led by Majority Leader Mark Schoesler, the Senate majority held firm on its commitment, shutting down all House democrat revenue proposals that included a capital gains income tax, an increase in the general business B&O tax, a carbon cap and trade tax and an extracted fuel tax, among others. All businesses in Washington owe Senator Schoesler and the Senate Majority Caucus gratitude for holding their ground and passing a responsible and sustainable budget without additional unnecessary financial burdens.

WOMA Successful on Priority Issues

WOMA's priority issues in 2015 were largely focused on being the face of the petroleum industry in combating Governor Inslee's ill-timed and ill-conceived climate change proposals. In addition, we held firm on our long-held position of opposing any transportation revenue plan that did not include substantial systemic reforms in project delivery and protection against the enactment of a Low Carbon Fuel Standard on top of proposed fuel tax increases. With WOMA's efforts and those of others, we were successful on all of these fronts.

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Transportation Revenue and Low Carbon Fuel Standard

As many know by now, the legislature did pass a new transportation revenue package that will increase the fuel tax by 11.9 cents per gallon (7 cents in August 2015 and 4.9 cents in July 2016), generating \$16 billion over the next 15 years. Again, while not particularly favorable to increased fuel taxes, we were successful in working with the Senate majority to hold the line on a clause in the legislation that would divert all transit-related allocations to roads should the governor enact a LCFS by executive order. This was one of the key sticking points in reaching an agreement on transportation which resulted in the three special sessions. In the end, Senate leadership held the line and refused to take a fuel tax vote until the governor backed off the LCFS; which he finally did!

In addition to the critical provision on LCFS, many reforms were added to Washington's transportation delivery system. These included: Providing that sales taxes on transportation projects go to transportation projects, not the general fund; Labor reforms on prevailing wage and apprenticeship utilization requirements; And, streamlined environmental and Department of Transportation permitting, including accelerated permitting for structurally deficient bridges, among others.

WOMA Works to Defeat Cap and Trade Carbon Marketing Bill

For WOMA, much of the legislative session was spent working to defeat various carbon emission reduction proposals pushed by the governor and the environmental community. Early on, House Bill 1314 was introduced as governor request legislation that would create a cap and trade program where the state's top 130 carbon emitting entities would have to purchase carbon credits at a state run auction. Putting fuel suppliers at the forefront of those impacted by HB 1314, WOMA members made repeated trips to Olympia delivering a strong message that all projected costs associated with the proposed legislation would be borne by end consumers who can least afford increased fuel and energy prices; particularly in light of the looming fuel tax increase in the transportation revenue package. We fought this bill through many iterations, the last of which excluded the majority of carbon emitters, leaving only us holding the bag. In the end, we prevented the bill from coming to a vote before the full body of the House and the governor finally admitted defeat near the final days of the second special session.



WOMA Secures Budget Appropriation Addressing Failing Underground Storage Tanks

Through WOMA's efforts we were able to secure a \$1.8 million appropriation from the Pollution Liability Insurance Agency Trust Account for remediation of failing UST systems. The appropriation will be used to develop a revolving loan program to benefit the public through removal, replacement or upgrade of underground storage tank fuel systems. As a part of developing the program the Pollution Liability Insurance Agency (PLIA) will conduct a pilot demonstration grant program for three sites, providing up to \$600,000 per site. This was a very sound victory for our association as we navigated several obstacles in securing the grant money, which was only finalized in the final days of the third special session.

WOMA Says Goodbye to the Handling Loss Allowance

While long anticipated, and on the not so bright side, the legislature finally repealed the tax deduction for fuel lost in transport. Largely based on a State audit dating back several years, it was determined the tax exemption was no longer consistent with its underlying purpose due to the fact that existing technology has virtually eliminated any handling loss. WOMA has never disputed this premise but has pushed back against several attempts to eliminate this deduction due to the fact that some local clean air agencies charge excessive fees to inspect for loss that we know no longer occurs. This being the case, we were able to seek funding for an additional audit that confirmed this fact and have been undertaking efforts to reduce or repeal these inspections.

In the meantime, for your general information regarding the repeal, the following is a published message from the Department of Licensing Prorate and Fuel Tax Division:

"The motor fuel handling loss allowance was repealed effective July 15, 2015. Motor Fuel Suppliers, Blenders, and Importers

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PAC Fundraiser at EMERALD DOWNS RACE TRACK

Saturday,
September 19, 2015

Cost per person is \$500.
Help fundraise for WOMA's PAC Fund
and enjoy an afternoon of fun!

DATES for Your Calendar:



Thursday, December 10th
WOMA Holiday Party
at SAFECO Field

— Home of the Seattle Mariners!
Cost is \$85 per person or \$160 per couple.

WPMA EXPO

• One Team • One Mission • One Goal

February 16th – 18th 2016

at the Mirage in Las Vegas, NV

Go to www.wpma.com/national-convention

June 20th – 23rd 2016
WOMA Convention

at Suncadia Resort,
Cle Elum, WA





Wire

are no longer able to take the motor fuel handling loss allowance or pass it along to your qualified customers.

When filing your monthly motor fuel tax return, you may include the motor fuel handling loss allowance for the period July 1 – 15, 2015. Distributions after 12:01 a.m. July 16, 2015 cannot include the handling loss allowance.”

Conclusion

The 2015 legislative sessions were not only historic in duration, they were quite notable for the several challenges we faced in addressing Governor Inslee’s aggressive climate change agenda and combating numerous tax proposals to protect our businesses as Washington recovers from the effects of the great recession.

WOMA members should be proud of their successful efforts in beating back a costly cap and trade program and insuring a Low Carbon Fuel Standard will not be adopted by executive order any time soon. This was accomplished by our members being the face of the petroleum industry, representing the majority of generations-old family businesses that provide critical products and services to all Washingtonians. Our members refused to accept allegations that we are just “Big Oil” and that any costs associated with Governor Inslee’s proposals would be absorbed and not affect our customers. In the end our message was heard and we live to fight another day.

Moving forward, there is no doubt we will continue to fight these same issues. In nearly the same breath as when he signed the State operating budget, Governor Inslee again declared a need for new taxes. In addition, because he has failed thus far to implement any of his climate change priorities and is facing re-election in 2016, we can expect to see another aggressive run at our industry. Finally, we will not only face climate change issues in Olympia, we will be challenged with them in the form of ballot initiatives in 2016.

As always, WOMA will remain engaged and fight for the economic prosperity of the fuel supplier industry.

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