

WOMA News Fall 2017

WOMA Has Another Successful Amazing Convention!

The 2017 Convention has come to an end – and honestly – I can't believe that I just completed my 15th convention with WOMA! Looking back, it's been a super fun ride. Suncadia has always been a great venue for everyone, and we are pleased to announce that we just signed through 2020! So you can count on the next three years at this beautiful venue – but with the same great hotel rate we have known for the past 10 years!

With all good venues, Leadership is always looking for ways to “mix it up” and create a more interesting agenda. We did that this year by moving the trade show around, hosting the President's Reception on the trade show floor, and expanded our Business Session into what we are calling the “Energy Policy Summit!”

That being said, we did send out a survey to ALL marketers and vendors to get an idea on how we can improve and WE HAVE HEARD YOU! So here are some changes you can look forward to in 2018:

- Moving the Welcome Dinner Indoors! In 2018, we are moving our dinner to the Lodge, making it a more formal event, and adding the theme – The Big Easy! Jazz bands – semi-formal dress – and opportunity for the ladies to dress up!
- Adjusting the Trade Show hours on Monday! to drive more traffic and conversations Tuesday and
- Moving Entertainment to Monday! evening
- Continuing to Expand the Energy Policy Summit with amazing speakers and educational lineup! Our feedback tells me this was a BIG benefit this year.

Spouses listen up! I'm taking suggestions for next year's Ladies Event!!! What do you want to do??? E-mail your ideas to lea@waoil.org.

As always, I'm excited to bring you a great show in 2018, but please don't be shy about sending me ideas! This is your show – I just put it together for you.

Washington State Legislature Adjourns after Multiple Special Sessions

As previously reported, we anticipated the legislature could take several special sessions to conclude its business in 2017, and it did just that. After 195 days and three special sessions, the legislature finally adjourned on July 18th having concluded most, but not all its business.

Funding basic education as directed by the Washington Supreme Court has been a key sticking point between the parties over the past several years. In what is known as the McCleary decision, the court held the legislature in contempt for over two years ruling that it had failed its constitutional obligation to fully fund education by relying too heavily on local levies. Finally resolving the issue (for now) and avoiding a government shutdown, the legislature approved a two-year operating budget prior to the end of the fiscal year on June 30.

The final operating budget amounted to \$43.7 billion, over half of which will go to basic education. This represents \$5.3 billion or 13.7 percent in additional spending over the 2015-2017 biennium. The end result was a compromise reached between the democrat controlled House and the republican controlled Senate. Essentially, specific tax increases were given in exchange for a leveled state property tax to fund education (as opposed to property poor regions paying higher percentages than high property value regions) and a reduction in business and occupation taxes (gross receipts) for manufacturers.

Impacts on the Petroleum Industry

All things considered, the legislature's actions in 2017 were not horrible for our industry, or business in general, because the majority party split between the bodies, where the republican (and one democrat) controlled Senate served as a backstop for many harmful tax and policy measures driven by the ultra-liberal Seattle-centric House. None of the major tax proposals offered by democrat Governor Jay Inslee and others were passed. These included more than six carbon tax proposals as well as a business and occupation tax increase on general business services, a capital gains income tax and a \$50 million increase in the hazardous substance tax targeting the petroleum industry directly. In addition, as previously reported, we succeeded in getting priority legislation expanding the authority of the Pollution Liability Insurance Agency to oversee voluntary UST cleanups and issue no further action orders on cleanup sites.

Unfortunately, the extracted fuel tax exemption for the refining industry was lost as a part of final budget negotiations. Extracted fuel is a by-product of the refining process and has limited use as an input back into the process and, therefore, has been exempt from fuel taxes. Eliminating the exemption wasn't originally too bad as it was to be offset by a reduction in the manufacturing business and occupation tax that would have benefited refiners as well as thousands of small manufacturing businesses. Reneging on the final budget deal between the House and Senate, the governor exercised his power of line item veto and erased that part of the budget. This was in response to pleas from numerous House democrats who, while voting on the entire negotiated budget, nonetheless demanded the tax break given to manufacturers be taken away. This action by the governor set a tone of bitterness and mistrust between the parties resulting in other important fiscal and policy measures thought likely to be resolved, grinding to a halt.

Looking Ahead: Special Election May Change Balance of Legislature

With the passing of moderate republican senator Andy Hill last fall, a special election will be held in November to fill his position in what has been a traditionally democrat district. Senate republicans, joined by one conservative democrat, hold a single vote majority which may be lost depending on the outcome of the election. Should the republicans lose the seat, the entire legislature and the governor's office will be in the hands of the democrats. If that happens our industry will be forced into a defensive position and can expect an onslaught of hostile tax and regulatory proposals in 2018.

Given what is at stake, WOMA will be actively involved in the race. It is expected to shatter all previous elections in terms of expenditures, with estimates that between \$8 and \$10 million will be spent between the candidates, where a typical senate contest would attract less than \$200,000. Stay tuned!

Tribal Update: WOMA Petitions US Supreme Court to Accept Tribal Fuel Tax Case

WOMA has joined Washington, several other states and trade associations in petitioning the U.S. Supreme Court to accept a direct appeal of Washington State Department of Licensing v. Cougar Den Inc., A Yakama Nation Corporation. In a highly flawed opinion, the Washington Supreme Court held that a clause in an 1855 treaty with the Yakama Nation, providing for the freedom to travel on all roads and highways, included the freedom to engage in unregulated commerce. As such, the Yakamas have maintained their practice of importing and selling tax free fuel in Washington and are expanding their activities to other states.

This opinion is contrary to existing federal caselaw and would have far reaching impacts should it stand. In theory, any tribe with a right to travel clause in its treaty would be able to engage in unregulated commercial activity throughout the country and avoid taxation on any number of activities in addition to fuel sales (e.g., tobacco, liquor, etc.). We hope to know whether the court will accept review of the case by late fall and will keep you updated on its status. Stay tuned!