



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

March 5, 2016

WOMA Legislative Update: - March 1, 2016



At the time of this writing the 2016, sixty-day, legislative session is winding down with less than two weeks remaining. For the most part it has progressed as expected with few controversial measures likely to pass given the House and Senate are controlled by opposite parties. For WOMA, the session has been very exciting as we have been working to pass legislation to expand the authority of the Pollution Liability Insurance Agency (PLIA) where it will be authorized to initiate low interest loans and grants to underground storage tank owners to upgrade their facilities. On the less than fun side we have been fighting to daylight continued problems with tribal fuel tax compacts and have been actively engaged in the debate over an initiative to the legislature establishing a carbon cap and trade program as well as Governor Inslee's executive order directing the state Department of Ecology to enact a rule establishing an outright carbon cap on Washington's major businesses and manufacturers. Finally, we have watched in awe as key agency appointees in the Inslee administration have dropped like flies as the result of major blunders and general failure to run their agencies in a manner that best serves the citizens of the state. The following will give you a breakdown of our activities and some of the more interesting distractions that have arisen during the 2016 session:

PLIA Executive Request Legislation

If you have been following along, WOMA's priority issue this session is passage of either House Bill 2357 or Senate Bill 6187. These bills, as mentioned, will expand the authority of PLIA to provide \$10,000,000 per year in low-interest loans and grants to underground storage tank owners. Among other things, the loans can be used for: Removing, replacing or upgrading underground storage tank fuels systems; Cleaning up contamination caused by legacy petroleum releases; and, Retrofitting existing systems to disperse renewable or alternative fuels. These bills are particularly important to affected WOMA members because they provide financing that is unavailable in private financial markets and cover activities and events that are no longer insurable. Finally, in addition to creating this loan program we have been able to reduce the PLIA tax on our industry. In 2012, during the PLIA program reauthorization process, we reduced the tax from .05 to .03 percent of the wholesale fuel price. Under this year's legislation, the tax will ultimately be reduced to .015 percent and when loan repayments start to come back to the program, we intend to take the tax to zero.

In order to have the best possible chances for success in a short session, we worked these bills long before the session started and carefully selected highly motivated legislators from both parties to be co-sponsors of each bill. To date, these two bills have been through fifteen committees, twelve public hearings and voted on by the full bodies of the House and Senate in just over six weeks. Currently, we are at the point where one of the bills needs to move and one left behind as we don't need two on the governor's desk. Hopefully, in our next report you will see us at a bill signing with the governor enacting this priority legislation into law. We'll be keeping our fingers crossed!

Continued

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Wire

LEGISLATION
MARCH 1, 2016

Tribal Legislation Update

As previously reported there were two bills in the legislature addressing tribal fuel tax issues. HB 1631 would have allowed the state to enter into a fuel tax compact with the Samish Indian tribe. The Samish do not qualify for compact status because they do not have a federally recognized reservation. This bill passed out of two House committees and then the entire body on a largely party-line vote before we killed it in the Senate Transportation Committee. While opposed to this bill it did provide us several forums to discuss the inherent problems with fuel tax compacts and the need for reform. Specifically, we focused on unfair competition against non-tribal fuel stations, remittances being used outside the scope of the compacts and the diversion of tax revenues from the state highway account to tribal coffers. Just as an example of the difficulty of pushing back against these compacts, one democrat Senator inferred during a committee hearing that it was okay for our WOMA members to be pushed out of business by tribal fuel stations because the tribes deserve a hand up. Clearly, this battle will continue for WOMA.

A second bill, SB 6193, was introduced by Senator Curtis King of Yakima and Chair of the Senate Transportation Committee. The bill required that all fuel purchased on the Yakama Indian Reservation by non-tribal members are subject to tax and provided for an enforcement method by the Washington State Patrol and the Department of Licensing which collects Washington's fuel taxes. The bill ultimately died on a cut-off date because it would have had no chance in the democrat controlled House. However, we are thankful for the bill as it, again, gave us a forum to air our grievances regarding the Yakama's selling non-taxed fuel to non-tribal members.

Carbon Update

There is a bit of good news on the carbon front, for now. As mentioned above, we have been closely monitoring carbon issues before the legislature and within the Department of Ecology.

Regarding the governor's proposed carbon rule to be enacted early this summer, on Friday, February 26th the Department of Ecology announced it was withdrawing the proposed rule and will be starting over. According to Ecology, based on stakeholder input it has been gathering for over six months, there are too many complexities in terms of covered activities and exclusions for trade dependent industries as well as the lack of an open market for carbon credits, to make the rule work. Reading between the lines, they likely finally realized that the proposed rule, if enacted, would bust the economy in Washington by costing tens of thousands of jobs while increasing prices for consumers.

Regarding I-732, an initiative to the legislature that would create a cap and trade program, there will be no legislative action and the initiative will go to the ballot in November. I-732 was sold as being revenue neutral but review from the Office of Financial Management indicates it would result in a billion-dollar deficit to the state

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each year. As a result, although several alternative were discussed in the Capitol, there will be no action. It is anticipated, due to the negative fiscal impact, that the measure will fail in November. Stay tuned!

Governor's Office in Disarray

For those not following, the month of February was particularly unsettling for Governor Jay Inslee. On Friday, February 5th the Senate Majority Coalition Caucus voted down the confirmation of Secretary of Transportation, Lynn Peterson, effectively firing her. Senate leadership claimed that Peterson had not shown adequate leadership in managing Washington's mega-transportation projects, most recently the tolling lanes on I-405, and did not have confidence in her ability to manage the upcoming projects to be funded with last year's \$16 billion transportation revenue package.

The following day the Director of the Department of Corrections quit his job over the public backlash resulting from the release of over 3,800 prisoners prior to their sentences being served. These two vacancies are on top of that which occurred in January with the resignation of the Secretary of the Department of Social and Health Services. This now leaves the state's three largest departments without agency heads.

If all this weren't enough, it is likely the housecleaning may not be over. In mid-February it was revealed that the state Health Care Authority had an employee induced data breach over the course of two years compromising the personal information of over 91,000 Medicaid enrollees. In addition, the agency has also blown its budget up by over \$400 million in the current biennium.

Collectively, these management blunders have not gone unnoticed and will be at the forefront of issues governor Inslee will face as he approaches re-election this year.

Conclusion

The legislative session is scheduled to conclude on March 10th. While earlier predicted it would end on time, there is a chance a special session will be called due to supplemental operating budget differences between the House and Senate. As usual, the House wants to increase spending in a non-budget year and the Senate, as usual, will have none of it. This typically results in a face-off until one party caves in. Hopefully, unlike last year, it will not last another several months.



June 20th – 23rd 2016

WOMA Convention

at Suncadia Resort,
Cle Elum, WA

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