



WASHINGTON FARM BUREAU
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LegisLetter

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Activities of the Legislature affecting farmers and ranchers in Washington state

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House and Senate Committees Hear Budget Proposals

Early this week both the House and Senate held hearings on their latest budget proposals. Unfortunately these hearings took place only hours after releasing the text of the bills. This led to chaos around the capitol as everyone involved in the process attempted to read the 250+ page proposals in time to prepare comments for the hearings. Most members of the general public did not have time to read through the legislation and give input to their lawmakers in the mere hours between the release and hearing of these bills. It is unfortunate that leadership did not give these proposals the "sunshine" they deserved, and essentially cut the public out of the process.

The Senate version of the bill is [SB 6444](#), and the House version is [HB 2824](#). These are just the budget bills and do not include how the respective chambers intend to raise the required revenue to fund them. The Senate released their revenue package on Wednesday morning, and heard it Wednesday afternoon. The House revenue package was just released today.

Both budgets contain substantial “buy-backs” above Gov. Gregoire’s \$600 million proposal, with the Senate looking to raise \$918 million in new taxes, and the House at \$857 million. The concept of the “buy-back” is new to the legislative process this year. Instead of submitting a desired budget, the governor has submitted an all cuts budget and then proposed to “buy-back” programs with increased taxes. This muddies the process making cuts look bigger than they actually are. The budgets also rely heavily again on one-time federal dollars to help plug the gap.

Possible Diversions from Workers’ Comp and UI Trust Funds

The Senate budget unveiled this week contained several items of concern to the integrity of state-run trust funds. Budget writers desired to tap the workers’ comp accident and medical aid funds to pay for the fiscal impacts of human trafficking and farm internship legislation ([SB 6332](#) and [SB 6349](#), respectively). Meanwhile, [SB 6332](#) was amended in committee to eliminate its fiscal impact, and [SB 6349](#) was not passed by a House fiscal committee because of questions about the funding source.

As a quick aside, Farm Bureau testified in support of [SB 6349](#), the farm internship pilot program sponsored by Sen. Kevin Ranker (D-San Juan Island), but asked the House Health and Human Services Appropriations Committee to find a funding source different from workers’ comp money.

Attempts to raid the unemployment insurance trust fund continued in the Senate budget. The proposal is to use roughly \$28 million to fund about 6,000 “job retraining” slots at community colleges. We are expecting this diversion to be removed from future versions of the budget, and we will keep watching to see that it is. Also, on the House side, there is still talk about a UI diversion for [HB 2630](#), a workforce training bill sponsored by Rep. Tim Probst (D-Vancouver). While this cause is laudable, we object to the use of UI as the funding source.

Farm Bureau believes that premiums and taxes for workers’ comp and UI should only go to pay for claims from those accounts – not unrelated programs.

Senate Proposes Tax Increases

On Wednesday, in a matter of hours, the Senate released and held hearings on [SB 6873](#), [SB 6874](#), and [SB 6875](#); once again making it difficult to sift through the proposals and prepare comments in time for the hearing. [SB 6874](#) would increase the cigarette tax by \$1 per pack to fund the state Basic Health Plan, and [SB 6875](#) would raise the state portion of the sales tax by 0.3 percent adding to the tax burden of everybody in the state.

[SB 6873](#) is a comprehensive bill including several components that extend or increase particular taxes, two of them hitting ag especially hard. The first change is ending the sales tax exemption for conventional “fertilizers, sprays, and other washes used in the commercial production of any agricultural commodity.” This can be seen as nothing short of a direct attack on agriculture. These are inputs into production, have always been recognized as such, and should remain that

way. This bill would result in an **8 percent to 9 percent increase** in cost depending on where you live.

This legislation would also end the trade-in allowance for vehicles and machinery. Currently if you trade in a vehicle and purchase another one, you only pay sales tax on the difference in price between the two. This bill would change that policy and charge the sales tax on the entire cost of the new vehicle, thus eliminating the incentive to trade-in vehicles or machinery when upgrading. **We are opposed to [SB 6873](#) and [SB 6875](#).**

MTCA Tax Heard Again

After being heard in the House Capital Budget Committee last week, [HB 3181](#), which increases the tax created by the Model Toxics Control Act (MTCA), narrowly passed out of the committee on an 8-7 vote. But instead of going directly to the Rules Committee it was referred to the Finance Committee for a hearing today.

The bill operates under the guise of providing funds for stormwater cleanup while sending most of the money to the general fund. [HB 3181](#) would create a new Stormwater Account, but in 2010 only 20 percent of the money from the tax would go into the account, 20 percent would go into different environmental accounts, and **60 PERCENT WOULD GO INTO THE GENERAL FUND.**

This bill has the potential to hit ag especially hard since the tax is applied mostly to fuel and plant protection chemicals — two of farmers' largest input costs. The proposal could add an estimated **3 to 5 cents** to the wholesale price of a gallon of fuel (which applies to "dyed" diesel as well). At a time when fertilizer costs are already skyrocketing, this bill would add insult to injury by essentially taxing fertilizer twice. It would increase the costs of fertilizer because it is petroleum-intensive to make, and then increase the tax on the final product. This is a poor attempt by the legislature to raise general fund revenues with a gas and chemical tax, while claiming it is about environmental cleanup. Add the sales tax increase contained in [SB 6873](#) to this cost and ag chemicals will simply become unaffordable.

Bills Temporarily "Resurrected" by the Budget

It is the point in session when "dead" bills miraculously spring back to life or are at least put on life support. This session we have several bills of concern in this category. The bills are now "necessary to implement the budget" and remain on the list of bills that can be passed by the Legislature after the regular cutoff for bills is reached. However, each policy bill must be passed by both houses and signed by the governor to be effective, even if the bill is referenced in the budget. Mere mention in the budget does not mean the bill will go into effect.

[SSB 6448](#), sponsored by Sen. Ken Jacobsen (D-Seattle), and [HB 3037](#), sponsored by Rep. Jeannie Darneille (D-Tacoma). would establish new fees for hydraulic project approvals (HPAs). **WFB opposes these measures** because this fee accrues benefit to the public, not the applicant, and because the real cost of an HPA is the cost of complying with the mitigation requirements. This permit should not have a fee associated with it.

[2SSB 6803](#), sponsored by Sen. Phil Rockefeller (D-Bainbridge Island) deals with stock water usage by dairies relying on permit exempt wells. The bill would establish a regulatory scheme for such uses while partially retaining the present exemption from permit requirements.

WFB opposes this measure because it would impact ongoing litigation that is examining whether the provisions of the permit exemption (RCW 90.44.050) place a limit on water withdrawals for stock watering. It would also carve out one segment of the livestock industry (dairy) at the expense of other stock water users. Water law is complex and needs to be approached very carefully so as not to imbalance the present system and to avoid making currently legal uses of water illegal.

Alternatively, WFB will continue to seek a positive outcome through the present stock water working group. This group agreed that we need to consider this issue more extensively to determine the best possible course of action related to these issues.

Finally, [2SHB 2591](#), a bill by Rep. Jeff Morris (D-Mount Vernon) regarding water right fees, is also referenced in the budget. For more information about this bill, see the "Water Woes" article below. **Farm Bureau opposes this bill.**

Water Woes

This week the House General Government Appropriations Committee heard [E2SSB 6267](#), sponsored by Sen. Phil Rockefeller (D-Bainbridge Island). This measure would clarify the current ability of water permit applicants to use a method of processing known as cost reimbursement, whereby applicants can pay to process water right applications ahead of them in the permit line.

The most intriguing aspect of this measure is that it would create an "expedited permit processing" option. This option would be initiated at the request of water right permit applicants and would allow for the expedited processing of water right applications within the same source of supply. It would be expedited because 100 percent of the costs incurred to process the applications would be borne by applicants. Unwilling applicants would simply see their application remain in the permit processing line until they sought regular processing by Ecology or wanted to exercise the cost reimbursement or expedited process in the future.

While we still hope that Ecology will use the "standard" permit process to catch up with the current backlog of water permit applications, providing options to those in line is a good thing and will aid Ecology in better focusing their resources.

In an unacceptable move, the House General Government Appropriations Committee amended the "agreed to" version of [E2SSB 6267](#) by adding the full text of the water right fee bill [2SHB 2591](#) sponsored by Rep. Jeff Morris (D-Mount Vernon).

WFB now opposes [E2SSB 6267](#). This is not the time to pass on additional mandatory fees for water right processing. **The House should reject this amendment and return to the text of [E2SSB 6267](#) as passed by the House Agriculture and Natural Resources Committee.**

Strong Bipartisan Vote for Bill Protecting Shoreline Uses & Structures Sends Clear Message on Farm Bureau Priority

[EHB 1653](#) passed the Senate Environment, Water & Energy Committee Thursday on a 6-1 vote.

Three Democrats (Fraser, Marr, and Rockefeller) and three Republicans (Delvin, Honeyford, and Morton) voted to pass the bill, which now heads to the full Senate for consideration.

[EHB 1653](#) protects existing uses and structures, including agricultural activities, from any interim growth management ordinances that might be applied to shoreline areas.

The legislation is critically important because the Department of Ecology issued guidance to local governments telling them they may choose to adopt and apply GMA regulations in the shoreline jurisdiction until their local Shoreline Master Program is updated. The attorney general issued an opinion stating that Ecology has the authority to issue such guidance, especially following conflicting Supreme Court and Court of Appeals rulings on the matter.

While shoreline structures and uses (including agriculture) are contemplated by the Shoreline Management Act (SMA), they are typically not favored by the Growth Management Act (GMA).

Washington Farm Bureau has a clear and deep commitment to the protection of property rights.

Because of that commitment, WFB participated in a successful coalition effort to negotiate language that was placed in [EHB 1653](#) to protect existing structures and uses, make an allowance for modification or redevelopment of those structures and uses, and make clear that a change in agricultural crops does not encounter any new regulations.

Without the passage of [EHB 1653](#), existing agricultural activities and other uses and structures in shoreline areas would be at risk of additional restrictions by local government that choose to apply their GMA regulations in the shoreline areas.

See [last week's LegisLetter](#) for additional background information.

Members should [contact their senator](#) and encourage their support of this critically important legislation.

Property Buy-Back Bill Heard in Senate Committee

The Senate Transportation Committee heard testimony Thursday on [ESHB 2716](#), sponsored by Rep. Matt Shea (R-Spokane Valley), which would require that the Washington State Department of Transportation make an effort to contact the former owner of property when WSDOT determines that property acquired by the department through condemnation is no longer needed for transportation purposes. The former owner must be notified and may purchase the land for fair market value. The department would only have to notify the owner at the last known address and there would be a 90-day window for a response from the prior owner.

Washington Farm Bureau supports passage of [ESHB 2716](#).

Zoning Change Notification Hearing

The Senate Government Operations & Elections Committee held a hearing Thursday on [SHB 2408](#), sponsored by Rep. Jan Angel (R-Port Orchard). The bill would require local governments to notify property owners when there is a proposal to rezone private property.

Washington Farm Bureau supports passage of this legislation to ensure there are no surprises to owners of private property when government considers changing the conditions or rights of use.

Ruckelshaus Extension Bill Passes Another Committee

After passing the Senate Agriculture Committee, the full Senate, and the House Local Government Committee, the bill to extend the Ruckelshaus Center talks has passed the House Education Appropriations Committee.

[SB 6520](#), sponsored by Sen. Brian Hatfield (D-Raymond), would allow another year to complete discussions with tribal, environmental, agricultural, and county interests as they seek voluntary programs that use regulatory backstops as a last resort to enhance environmental conditions and increase agricultural viability. The effort is aimed at finding a mutually beneficial alternative to years of unproductive litigation under the state Growth Management Act.

The bill would also extend for one year the moratorium that prevents local governments from updating their Critical Areas Ordinances with respect to agricultural activities.

Washington Farm Bureau supports passage of [SB 6520](#).

Biofuels Bill Passes Senate Committee

The update of the state's renewable fuel standards – [HB 2504](#), sponsored by Rep. Deb Eddy (D-Kirkland), passed the Senate Environment, Water, and Energy Committee this week.

Current law, adopted in 2006, mandates in-state sales of two-percent biodiesel (B-2), as measured as a percentage of all diesel sold, and for the state government to use B-20 in its fleet. The B-2 minimum for the private sector would jump to B-5 once the state Director of Agriculture certifies that three-percent biodiesel could be made from in-state production of feedstocks and oil crushing. This standard is quite high and has never been certified. Also, last year the state ferry system was exempted from its B-20 requirement and now operates up to only B-5 depending on the price of biodiesel compared to regular diesel.

[ESHB 2504](#), as amended by the Senate EWE committee, would apply a B-2 standard in each gallon of diesel sold, would require distributors to file certain reports to WSDA, and would change the B-5 triggering mechanism to a more reasonable level. Once 15 million gallons of

biodiesel have been made from feedstocks grown or produced in-state during the previous year, B-5 would be triggered. Also, the state government must use B-10 (as an average of all the fuel it consumes) immediately and would start using B-20 once the WSDA director determines that the state can meet that requirement.

Farm Bureau continues to support [ESHB 2504](#). During the legislative process, Farm Bureau has been neutral on the methods of measurement and delivery of biodiesel as long as a B-2 minimum is maintained. We have fought to maintain standards and incentives for in-state growers and have consistently asked for higher biodiesel consumption by the public sector, in keeping with the state's original agreement back in 2006.

[ESHB 2504](#) now moves to the Senate Transportation Committee for a public hearing at 1:30 on March 1.

Bills of Interest

We are now over halfway through this session's legislative process. Thus, the list of the bills we are tracking has dwindled considerably as legislation died. The [bill tracking list](#) is available on our website and will continue to be updated regularly as bill statuses change.

If there is a bill of interest to you that does not appear on our tracking, please email [Daniel Turner](#) with a request that WFB staff review the bill.

Information Resources

- [Washington Farm Bureau](#)
- [Governor's Bill Actions:](#)
- [Legislative Information](#)
- Legislative Hotline: (800) 562-6000