



**WASHINGTON
FARM BUREAU**
www.wsfb.com

LegisLetter

PO Box 8690, Lacey, WA 98509 • 1.360.357.9975 • 1.800.331.3276

Activities of the Legislature affecting farmers and ranchers in Washington state

March 5, 2010

In this issue:

- **WFB Support of Water Bill Goes from Hot to Cold**
- **Senate Ways & Means Hears Income Tax Proposal**
- **House Finance Committee Holds Hearing on Revenue Proposal**
- **House Committee Amends Hazardous Substance Tax Bill**
- **HPA Fee Remains Active Part of the Budget**
- **Stock Water Bill Appears Inactive**
- **Senate Passes Bill Protecting Shoreline Property Owners**
- **Ruckelshaus Extension Bill Awaits Vote**
- **Biodiesel Bill Runs out of Fuel**
- **Diversion Update**
- **Bills of Interest**
- **Information Resources**

WFB Support of Water Bill Goes from Hot to Cold

We hope you have been keeping your water bill score card handy this session, because you will need it to keep up with this week's action and the potential activity next week as the Legislature enters the home stretch of the 2010 regular legislative session.

You have seen reports from WFB on [E2SSB 6267](#), sponsored by Sen. Phil Rockefeller (D-Bainbridge Island), almost every week and the action just keeps on going. To remind you of the saga on this bill, WFB opposed the bill as introduced, worked with stakeholders and made it a good bill that we supported as it passed the Senate. The House Agriculture and Natural Resources Committee kept a good thing going, then the House General Government Appropriations Committee messed it up by adding a water right fee increase proposal to the bill and WFB opposed the bill.

WFB and other water users asked for a re-referral of the bill from the Rules Committee (where it was sent by the General Government Appropriations Committee) to the House Ways & Means Committee. Leadership in the House graciously granted the request. The Ways & Means

Committee, chaired by Rep. Kelli Linville (D-Bellingham) heard the bill and subsequently stripped the fee language from the bill and passed our preferred vehicle to Rules.

The bill was hotly debated on the floor of the House Thursday. An amendment to fully fund the Ecology water right processing program was offered by Rep. Hans Dunshee (D-Snohomish). This amendment failed by a vote of 44-54. Then an amendment offered by Rep. Jeff Morris (D-Mount Vernon) to fund half of the program was debated and passed by a vote of 50-48. The bill passed on final passage by a vote of 51-47. **WFB now opposes the bill.**

[E2SSB 6267](#) as amended is now before the Senate. The Senate may return the bill to the House and insist that the fee amendment be removed or pass the bill as amended and it will go to the Governor for signature. WFB is encouraging the Senate to **reject the amendment** and ask the House to pass the underlying bill.

Keep those score cards handy, there's more to come on this issue.

Senate Ways & Means Hears Income Tax Proposal

As is becoming all too common during this legislative session, on Thursday morning the Senate Ways & Means Committee scheduled a hearing on a major tax proposal for that afternoon. [SB 6250](#), sponsored by Sen. Rosa Franklin (D-Tacoma), a bill on income taxation, was used as a vehicle for Sen. Lisa Brown (D-Spokane) to present her income tax proposal. Her idea is to pass a 0.3 percent sales tax increase and then send an income tax proposal to the people in November. If voters pass a 4.5 percent income tax on "high earners," defined as individuals making more than \$200,000 a year, the state sales tax would be reduced to 6 percent. This attempt at "class warfare" is bad public policy and a complete cop-out. Instead of making the tough decisions, the Senate proposal would impose a large new tax that has the potential to hit small businesses especially hard. We don't need an income tax in this state; we need fiscal responsibility from our elected officials. **Farm Bureau testified against the bill, and is opposed to any form of an income tax.**

Beyond the obvious flaws, and probable unconstitutionality of this proposal, the manner in which they handled the public portion of the legislative process was appalling. At 11:30 a.m. the Ways & Means Committee sent out an agenda update listing the hearing of a substitute for [SB 6250](#) **TO TAKE PLACE IN 5 HOURS**. The few people fortunate enough to be on that list, and checking their email at that moment, began to look for the substitute bill language, but quickly discovered that the bill language would not be available **UNTIL THE HEARING STARTED**. Unfortunately, little public notice on major proposals is becoming a common theme this session. It definitely violates the spirit of public hearings.

Farm Bureau will continue to oppose this or any other attempt to impose an income tax.

House Finance Committee Holds Hearing on Revenue Proposal

On Monday [HB 3191](#), sponsored by Rep. Ross Hunter (D-Medina), was heard by the House Finance Committee that he chairs. Unlike the Senate revenue proposal, which relies on a general sales tax increase, this bill focuses on adjusting a long list of tax exemptions and rates. Most of the adjustments are on businesses operating in multiple states and their B&O tax liabilities, and would not likely affect ag directly. The one piece that directly affects ag is the elimination of the sales tax exemption for nutrient management equipment for cattle feeding operations between April 1, 2010 and July 1, 2015. This exemption has been under scrutiny for a while, after some industry groups “offered it up” for suspension, it is likely to be in any final proposal.

The bill also includes application of the sales tax to candy, bottled water, cosmetic surgery, janitorial services, and custom software services -- products and services previously exempt from the sales tax. It also includes a \$1 per pack tax increase on cigarettes.

While this bill does not directly hit agriculture, we are opposed to increasing taxes in this recession instead of making the necessary budget cuts. It is important to note that this tax package is not unanimously supported by the majority in the House, and the debate on how to raise revenues is not close to being finished.

House Committee Amends Hazardous Substance Tax Bill

On Friday the House Finance Committee held a hearing on [SHB 3181](#), sponsored by Rep. Timm Ormsby (D-Spokane), which would increase the hazardous substance tax for stormwater cleanup projects. As mentioned in *LegisLetter* previously, this bill has the potential to hit ag especially hard as the tax is applied mostly to fuel and plant protection chemicals—two of the largest input costs. Another problem with the bill is that it was operating under the guise of providing funds for stormwater cleanup while sending most of the money to the general fund.

After public testimony, the committee significantly amended the bill before passing it. Previously the bill would have increased the hazardous substance tax from 0.7 percent to 2 percent. Instead, the substitute bill increases the tax 0.1 percent a year for the next four years, resulting in a total tax of 1.1 percent by July of 2013. The other significant change was that no money is directed into the general fund. The money collected will be distributed as follows: 84 percent in a new Storm Water Account, 10 percent in the Motor Vehicle Account, 4 percent in the Puget Sound Recovery Account, and 2 percent in the Oil Spill Prevention Account. While the language sending funds directly to the general fund was removed, it is important to remember that some of these accounts have had money transferred to the general fund in the past, and that could easily happen again.

While both of these changes improve the bill, Farm Bureau remains **opposed** because the tax increase will hit agriculture **disproportionately hard** as the tax is on farmers’ two largest inputs.

HPA Fee Remains Active Part of the Budget

Both the Senate and House budget bills include funding for the Department of Fish and Wildlife Hydraulic Project Approval (HPA) program from a yet-to-be-passed HPA fee bill. **WFB opposes this policy** 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.

Stock Water Bill Appears Inactive

[2SSB 6803](#), sponsored by Sen. Phil Rockefeller (D-Bainbridge Island), is now in the inactive bill list known as the “x file.” While ominous sounding, it simply means the bill did not receive action prior to the policy bill cutoff. As noted last week, the Senate included a provision in their version of the supplemental operating budget referencing the bill by number. This action keeps the bill on life support, but just barely since the House has not included the measure in its budget proposal.

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.

Senate Passes Bill Protecting Shoreline Property Owners

The Senate voted 35-10 to pass [EHB 1653](#), sponsored by Rep. Geoff Simpson (D-Covington). **Farm Bureau supports EHB 1653, as it protects legally existing structures and uses from interim critical areas ordinances that might be applied in the shoreline areas.**

Subsequent to conflicting court rulings, the Department of Ecology issued guidance to local government, telling them that they may choose to apply their CAOs in shoreline areas. The attorney general issued an opinion that supported the department’s ability to issue that guidance.

Many activities and structures, such as single-family homes, agriculture, ports, marinas, etc., are favored by the Shoreline Management Act; many of them are not favored by the Growth Management Act.

Because of the department’s guidance, it became possible that a local government might apply an interim CAO and interfere with those legally existing structures and uses. Only a majority state Supreme Court ruling would have reversed the department’s guidance. To date, there has not been a majority of the court willing to make such a ruling.

The carefully crafted language in the engrossed bill is designed to protect those legally existing structures and uses and allow for modification and redevelopment.

The amended bill was also supported by the Association of Washington Business, Realtors, Grange, Washington Cattlemen's Association, Christmas Tree Growers, Potato Commission, Dairy Federation, Friends of Farms and Forests, and many other agricultural and business organizations.

A diverse coalition including the cities, ports, counties, state agencies and environmental organizations have agreed to the language in the bill.

All are asking the governor to sign [EHB 1653](#) as amended and passed by the House and Senate.

Farm Bureau supports this bill.

Ruckelshaus Extension Bill Awaits Vote

As of Friday morning, [SB 6520](#), sponsored by Sen. Brian Hatfield (D-Raymond), was still in the House Rules Committee and awaiting a vote on the House floor. The bill, which is supported by Washington Farm Bureau, would extend the discussions of critical areas ordinances and agricultural activities. It would also extend the moratorium for one more year. That moratorium prevents local governments from updating their CAOs with respect to agricultural activities while the discussions continue.

Biodiesel Bill Runs out of Fuel

[ESHB 2504](#), an update to the state's renewable fuel standards sponsored by Rep. Deb Eddy (D-Kirkland), died in the Senate Transportation Committee this week. On Monday, Sen. Mary Margaret Haugen (D-Camano Island) granted the bill a hearing, but the committee did not pass it.

The bill changed quite a bit as it worked its way through the legislative process. What started off as requiring every gallon of diesel sold to have 2 percent biodiesel in it changed to become a modification of standards. The version as amended by the Senate policy committee would have required B-2 by volume per distribution company, established reporting standards and penalties, included a revised B-5 trigger, set a B-10 standard for the whole of the state fleet, and allowed the transportation budget to dictate how much biodiesel (up to B-5) the state ferries would consume.

Since the bill deferred to the transportation budget regarding ferries and since it would reduce the state government's biodiesel requirement from B-20 to B-10, the hope was that the Transportation Committee would see fit to pass the bill, but it did not. Because the bill is not widely considered to be necessary to implement the budget, resurrecting the bill is unlikely.

Diversions Update

Last week we discussed possible diversions from the workers' compensation and unemployment insurance (UI) funds in the proposed House and Senate budgets. Since then, two bills have changed.

[HB 2630](#), a workforce training bill sponsored by Rep. Tim Probst (D-Vancouver), was amended to remove the diversion from UI funds. The bill still creates an account for the Opportunity Express program, but the funding source at this point is presumably the general fund and not UI. Accordingly, **we have dropped our opposition to the bill, but we will continue to monitor the bill** in case legislators attempt to reinsert the diversion.

[SB 6349](#), the farm internship pilot project sponsored by Sen. Kevin Ranker (D-San Juan Island), was amended by the House to specify that funds for the program should come from the general fund and not from workers' comp. **Farm Bureau continues to support this bill.**

Farm Bureau believes that premiums and taxes for workers' comp and UI should pay only for claims from those accounts – not unrelated programs. It is unfair to the employers and employees who pay into these insurance programs for their premiums to be used for unrelated purposes.

Bills of Interest

We are now approaching the end of this session's legislative process. The list of 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.

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