



# LegisLetter

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## **In this issue:**

- Propane Sales Tax Rebate Bill Introduced
- Senate, House Unveil 2009-11 Spending Plans
- Bill Threatens Economic Development, Public Health Funding
- House and Senate Budgets Would De-Fund Most Performance Audits
- State Income Tax Bill Introduced April 1 -- No Foolin'
- Tax Rallies Planned for April 15
- April 22 Evening PIRT Meeting in Granger
- [Bills of Interest](#)
- [Information Resources](#)

## **Propane Sales Tax Rebate Bill Introduced**

[HB 2323](#), sponsored by [Rep. Laura Grant-Herriot](#) (D-Walla Walla) would allow a 50 percent rebate of the sales or use tax on farmers' purchases of propane for off-road use. Farmers would need to apply to the Department of Revenue for the rebate within 90 days of purchasing propane for allowed on-farm uses.

If the amount of the rebates paid out between July 1, 2009 and July 1, 2011 is more than estimated in the bill's [fiscal note](#), the rebate would expire January 1, 2012. If the refunds total less than expected, the rebate would be replaced by a full sales and use tax exemption.

Farm Bureau strongly supports the underlying policy of the legislation, but has voiced some concern about the timing and approach taken in the bill.

Given the current budget situation, Farm Bureau suggested that delaying implementation until the next biennium should be considered if those dollars could instead be used to offset

proposed cuts at the state Department of Agriculture. If HB 2323 were enacted, some farmers would benefit from the rebate, while others could face new or higher fees resulting from cuts to essential programs offered through the Department.

Farm Bureau is also concerned about the trigger mechanism in the bill, which creates uncertainty about the rebate's future. Farm Bureau prefers an approach that would offer farmers greater assurance that investing in new equipment or modifying existing equipment to run on propane would be a reasonable business decision due, at least in part, to the tax rebate or exemption.

While Farm Bureau is not opposed to HB 2323, we prefer a full exemption from sales and use taxes on propane purchased by farmers for on-farm purposes like that contained in [HB 2275](#), sponsored by [Rep. Joel Kretz](#) (R-Wauconda).

HB 2275 [passed the House 92-4](#), was given a "Do Pass" recommendation by the Senate Agriculture and Rural Economic Development Committee and was referred to the Senate Ways and Means Committee where it awaits further action.

**UPDATE:** Friday morning the House Finance Committee amended HB 2323, replacing the trigger mechanism with a straight 50 percent rebate effective August 1, 2009 and expiring July 1, 2015. That rebate is capped at \$1 million per year and farmers must still apply to the Department for a rebate within 90 days of purchasing propane for approved on-farm uses.

## Senate, House Unveil 2009-11 Spending Plans

This week, the state Senate and House finally released their [budget proposals](#) for the coming biennium. As news reports have indicated, both budgets contain massive "cuts" in order to address the nearly \$9 billion expected state budget "deficit."

As previously reported, state tax collections are estimated to be nearly the same for the 2009-11 biennium as they were for the current 2007-2009 biennium. In many cases, the proposed "cuts" are reductions in spending increases anticipated by the various agencies as a result of higher caseload forecasts and expected inflationary increases. Nonetheless, agencies are scrambling to identify ways to comply with unprecedented spending reductions.

Both budgets also contain a number of troubling spending directives, several of which will be felt by Farm Bureau members. For example:

- Cuts to the Department of Agriculture contained in both budget proposals will likely affect pesticide regulation, plant protection, weights and measures inspection, and several agriculture promotion programs.
- In the Senate budget, water rights application processing would be cut \$1.8 million, but the Department of Ecology, which administers that program, would receive **\$1.3 million in new money for climate change activities**.
- Similarly, the Department of Community, Trade and Economic Development would lose \$1.2 million used to assist local governments in complying with the growth management act (GMA) but would gain **\$1.5 million for climate change** and energy efficiency-related programs under the Senate's spending plan.
- The departments of Fish and Wildlife and Natural Resources would also suffer cuts in areas while being given \$120,000 and \$60,000 respectively in **new money for climate change** activities were the Senate budget adopted.

Also of note, the Senate budget contains authorization for the Department of Labor & Industries to spend an additional **\$788,000 implementing the Retro-bution bill, [ESSB 6035](#)**.

That bill's [fiscal note](#) indicates it will cost taxpayers another \$1.2 million to continue the Retro-bution through 2015, and two new full time employees will be needed to monitor mandatory reports about the retro program. This is on top of the \$600,000 that was allocated in the last biennium for a multiyear study of the retro program which is due to release its first report this summer. Farm Bureau strongly believes that the Legislature should at least wait for the completion of the \$600,000 study before enacting "Get Retro" legislation.

On a related note, in both the House and Senate versions of the budget, the Department of Labor and Industries would receive more funds to implement new programs and hire 48 new employees, during this economic downturn.

## **Bill Threatens Economic Development, Public Health Funding**

SHB 2010, sponsored by Rep. Hans Dunshee (D-Snohomish) was passed by the Senate Ways & Means Committee Wednesday, headed toward the floor for a vote by the full Senate. The bill was passed through two fiscal committees, but has not been reviewed by a policy committee in either the House or Senate.

SHB 2010 would require local governments to adopt laws to meet state and federal goals on Greenhouse Gas (GHG) reduction and Vehicle Miles Traveled (VMT) reduction in order to remain eligible for funding for local projects.

The bill title -- "Concerning state funding for local projects" -- was misleading.

If a local government does not adopt local laws for reducing GHG and VMT to meet the state goals, that local government will most likely see its state funds dry up from:

- The Public Works Board (repair, replacement, or improvement of the following public works systems: bridges, roads, water and sewage systems, and solid waste and recycling facilities.)
- Community Economic Revitalization Board (low-interest loans and grants to finance local public economic development infrastructure necessary to develop or retain stable business and industrial activity. These improvements include industrial water, general-purpose industrial buildings and port facilities, sanitary and storm sewers, industrial wastewater treatment facilities, railroad spurs, telecommunications, electricity, natural gas, roads, and bridges. The projects are linked to manufacturing, food processing, assembly, warehousing, industrial distribution, advanced technology, research and development, and recycling facilities. Cities, counties and federally-recognized Indian tribes are eligible for the loans and grants.)
- Transportation Improvement Board (provide grants to cities and counties for high priority local transportation projects that enhance movement of people, goods, and services. The TIB administers six competitive programs: Urban Arterial Program, Urban Corridor Program, Small City Arterial Program, Sidewalk Program (urban and small city), Small City Preservation Program, and the Road Transfer Program (City Assistance Hardship Program).

To remain eligible for this critical infrastructure and economic development funding, local governments would be pressured to meet their portion of the goals established in 2008. Among the goals local governments must meet would be:

- by 2020, reduce overall greenhouse gas emissions in the state to 1990 levels;
- by 2035, reduce overall greenhouse gas emissions in the state to 25 percent below 1990 levels; and
- by 2050, the state will do its part to reach global climate stabilization levels by reducing overall emissions to 50 percent below 1990 levels, or 70 percent below the state's expected emissions that year.

Last year's climate change bill also established the following statewide benchmarks relating to the number of annual vehicle miles traveled (VMT) in the state:

- decrease the annual per capita VMT by 18 percent by 2020;
- decrease the annual per capita VMT by 30 percent by 2035; and
- decrease the annual per capita VMT by 50 percent by 2050.

SHB 2010 is premature and ill-considered for many reasons.

For rural areas, the legislation could actually work against goals to reduce greenhouse gases. Many rural economic development projects rely on CERB funding to create new jobs or to save jobs that might be lost without re-tooling mills, roads, rails, etc.

If rural jobs are lost, many more rural residents would need to drive a longer distance to a more urban area with available jobs. Starving rural areas of needed funds could actually *increase* vehicle miles traveled.

The bill also fails to anticipate technological advances. If an area sees an increase in electric and fuel-cell vehicles, those miles traveled would have little to no contribution to greenhouse gas emissions. Yet the bill has no provision to consider those advancements and factor them out of any goals or mandates.

SHB 2010 also has no guidance to tell local governments how to determine their appropriate share of the state goals on greenhouse gas reductions or VMT reductions.

In the meantime, the Department of Community, Trade and Economic Development has yet to issue a report on VMT. That report is a requirement of last year's climate change bill.

Washington Farm Bureau is encouraging a vote against SHB 2010.

**The same troubling language related to climate change is included in E2SSB 5138, E2SSB 5560 and the budget.** Farm Bureau opposes these measures as well, and encourages the Legislature to carefully examine the negative policy and fiscal implications of these measures.

## **House and Senate Budgets Would De-Fund Most Performance Audits**

Democrat State Auditor Brian Sonntag blasted Democratic budgets from both the Senate and House this week.

Initiative 900, passed overwhelmingly by the voters in 2005, provides that 0.016% of the state sales tax revenues would be dedicated to performance audits of state and local agencies and programs. The audits are designed to find more cost-effective ways to deliver government services and save taxpayer dollars.

To date, the auditor has issued 15 audit reports, [making more than 500 recommendations](#) that would save more than \$500 million in state operation costs, and billions in overall savings. However, only a fraction of the recommendations have been adopted by the agencies.

“To date, we have completed 15 performance audits of state and local governments that have produced a ratio of \$10 dollars saved to \$1 spent. That’s a wise investment,” the Auditor told the Senate Ways & Means Committee March 31.

The funding formula generates about \$30 million every two years. The House and Senate budgets would take about half of that money from the state auditor and dedicate it to other purposes.

“Let’s be clear, our audits have proven their worth. They have real value, and they are meeting the expectations of citizens,” Sonntag said. “I view the diversion of revenue designated for performance audits as nothing short of an assault on what citizens expect the state to do when they gave us that authority and the funding stream to carry it out.”

[Sonntag’s complete testimony is posted at the Washington Policy Center Web site.](#)

## **State Income Tax Bill Introduced April 1 -- No Foolin’**

SB 6147 was introduced by Senator Jeanne Kohl-Welles (D-Seattle). The bill would create a state income tax for households with an income over \$500,000.

“For too long the word ‘tax’ has been such a dirty word that no real conversation about our tax system has been had,” [Kohl-Welles said on her Web site.](#) “It is time for us to govern, stop playing unsustainable political games, and do what’s best for our state.”

Critics called the legislation a “foot in the door” to increase the income tax at a later date.

“This is exactly what happened in 1913 when the federal government created the income tax. The first income tax started at 1 percent and it applied only to the wealthiest people,” said Paul Guppy of the Washington Policy Center. “Back then supporters of the tax said that most people would never have to pay it. As we know, within a short time paying the federal income tax became an all too common experience for Americans.” [Guppy’s full comments are at the WPC blog.](#)

Senator Janea Holmquist (R-Moses Lake) said in a news release that “I will vehemently oppose any attempt by the state to take more money out of your wallet to bailout the majority party for its years of irresponsible, run-away spending.”

The governor also expressed opposition to a state income tax. “I recognize the tremendous difficulties that legislators are facing as they craft a budget under these challenging economic

conditions,” she said in a news release posted on her Web site. “However, as I have stated before, I do not support a state income tax. The new proposal will undoubtedly raise constitutional and legal challenges and probably wouldn’t bring in new revenue in time to address the economic crisis we face.”

## **Tax Rallies Planned for April 15**

In Olympia and Spokane, two rallies are scheduled on the most notable tax date -- April 15 -- to send a message that now is not the time to increase taxes.

The rally begins at noon in Olympia and at 4:30 p.m. in Spokane. Washington Farm Bureau encourages participation in these events. More information is available at <http://pushbacknotax.com/>.

## **April 22 Evening PIRT Meeting in Granger**

A public meeting on pesticide-related issues has been scheduled. Details are as follows:

[Pesticide Incident Reporting and Tracking \(PIRT\) Review Panel](#)

When: April 22, 2009, from 6 – 9 p.m.

Where: [Radio KDNA](#)

Northwest Communities Education Center

121 Sunnyside Ave PO Box 800

Granger, WA 98932

Spanish language translation will be available. There will be time for public comment after each topic and at meeting end.

### **Agenda Topics:**

- Welcome, Review Agenda and March Minutes, other PIRT Business, Dr. Cynthia Lopez, Department of Health
- The Work to Home Exposure Pathway -- Strategies to Protect Pregnant Women and Children, Helen Murphy, PNASH
- Science Corner -- Synergistic Toxicity of Pesticide Mixtures on Endangered Salmon Species, Vince Hebert, WSU
- Worker Protection Standard Rule Revision, Ann Wick, WSDA and Pam Edwards, L&I
- Comparison of WA Fees and Penalties for Pesticide Violations to Other States, Liesl Zappler, PIRT Public Member
- Washington State University Air Monitoring for MITC, Vince Hebert, WSU
- University of Washington Air Monitoring for Organophosphates, Michael Yost, UW
- 2009 - 2011 Washington Budget Update
- Public Comment
- Adjourn

For more information, or if an accommodation is needed for a disability, contact PIRT Review Panel Coordinator, [Fran McBride](#) at (360) 236.3367.

## **Bills of Interest**

Please note that since some bills have "died" there are two versions of bill tracking posted on our website. Please check the file name and date to distinguish between the two. Since there is always a chance a bill may be "revived" we judiciously keep a copy of bill tracking as it was before cutoff, in addition to the active bill tracking list. Both are available at:

<http://www.wsfb.com/issues/legisletter>.

## **Information Resources**

Washington Farm Bureau: [www.wsfb.com](http://www.wsfb.com)

Governor's Bill Actions: [www.governor.wa.gov](http://www.governor.wa.gov)

Legislative Information: [www.leg.wa.gov](http://www.leg.wa.gov)

Legislative Hotline: (800) 562-6000