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## TRANSITION BRIEFING

### **Pollution Liability Insurance Agency**

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### **Agency Responsibilities:**

The Pollution Liability Insurance Agency (PLIA) ensures that federally mandated pollution liability insurance is available and affordable to owners and operators of regulated petroleum underground storage tanks (USTs) by:

- Providing pollution liability reinsurance coverage for over 2,300 petroleum USTs;
- Tracking 10,000 commercial UST systems for compliance with insurance requirements; and,
- Providing education and outreach to UST owners and operators to reduce risk.

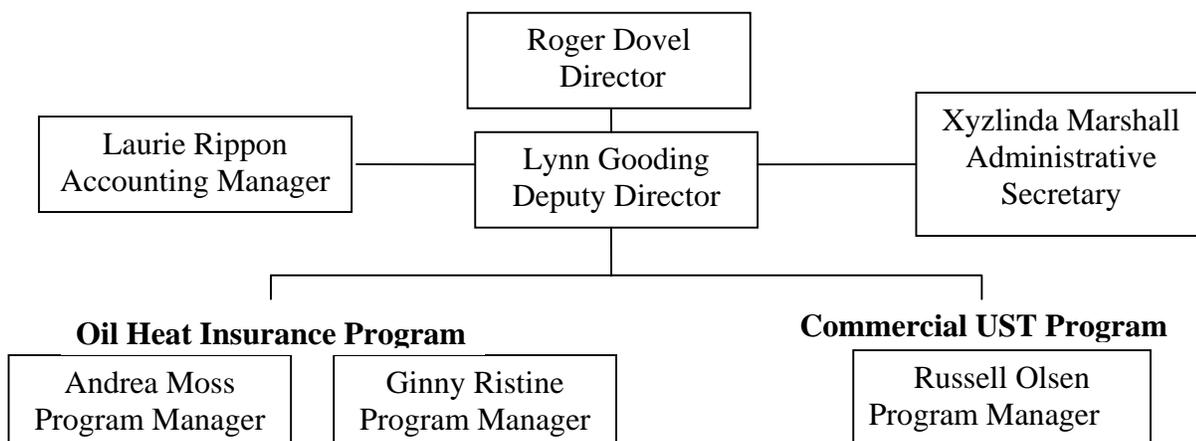
PLIA also implements the Oil Heat Pollution Liability Insurance Program by:

- Providing pollution liability reinsurance coverage for over 61,000 homes and businesses using oil heat;
- Overseeing the cleanup and claims at oil heat sites; and,
- Providing education and outreach to oil heat users.

Statutory Authority:

- Chapter 70.148 RCW Underground Petroleum Storage Tanks – Creates a state financial responsibility (pollution liability insurance) program.
- Chapter 70.149 RCW Heating Oil Pollution Liability Protection Act – Authorizes PLIA to develop a program that provides pollution liability insurance for heating oil tanks.
- Title 374 WAC Pollution Liability Insurance Agency – Agency rules and operating procedures.

### **Organization Chart and Budget:**



**Budget:**

Commercial UST Program (3.5 FTEs): Funded by the Pollution Liability Insurance Trust Account. The account revenue is generated by a periodic tax (Petroleum Product Tax) of .5% on the wholesale value of petroleum products. The tax is applied when the unrestricted account balance falls below \$7.5 million. The tax was last applied from July 1, 2003 until June 30, 2004 and generated \$26.6 million in revenue. The tax had not been applied since 1993. It is anticipated the tax would not be in affect again until approximately 2015.

Oil Heat Insurance Program (3.5 FTEs): Funded by the Heating Oil Liability Trust Account (administration and insurance premium) and the Pollution Liability Insurance Trust Account (claim payments). The Heating Oil Liability Account revenue is generated by a fee of 1.2 cents per gallon of heating oil sold. The fee is paid annually by the state’s oil heat dealers. Legislation sponsored by the Pacific Northwest Oil Heat Council and the Washington Oil Marketers Association in 2004 raised the fee effective July 1, 2004. Revenue for 2003 was \$368,430 (based on a fee of .6 cents per gallon).

ACTIVITY	FUND 544			FUND 545		
	FY04 Actual	FY05 Estimate	03-05 Total	FY04 Actual	FY05 Estimate	03-05 Total
<b>Administrative Expenses</b>						
0001 - Oil Heat	\$ 172,254	-	\$ 172,254	\$ 245,055	\$ 844,961	\$ 1,090,016
0002 - UST	302,889	337,241	640,130	-	-	-
<b>Total</b>	<b>\$ 475,143</b>	<b>\$ 337,241</b>	<b>\$ 812,384</b>	<b>\$ 245,055</b>	<b>\$ 844,961</b>	<b>\$ 1,090,016</b>
<b>Non-Budgeted Claims</b>						
0001 - Oil Heat	\$ 1,571,882	\$ 922,000	\$ 2,493,882	-	\$ 203,000	\$ 203,000
0002 - UST	1,615,663	1,274,920	2,890,583	-	-	-
<b>Total</b>	<b>\$ 3,187,545</b>	<b>\$ 2,196,920</b>	<b>\$ 5,384,465</b>	<b>-</b>	<b>\$ 203,000</b>	<b>\$ 203,000</b>
<b>Note:</b> Estimated Oil Heat claims costs are based on 150 claims at \$7,500 per claim. Estimated UST claims cost are based on the average of the last two fiscal years.						
<b>Source:</b> Actual claims: FT-GL01; Actual and estimated administrative expenses: FT-AE14.						

PLIA does not receive any General Fund revenue. Since 1991, over \$10 million in interest earned by the trust accounts has been transferred to the General Fund.

**Most Pressing Issues or challenges:**

Statutory authority for PLIA, Chapter 70.148 RCW, establishes an agency expiration date of June 1, 2007. The agency has gone through two sunset review processes in the past and PLIA and petroleum industry stakeholders will be addressing this issue in the 2006 legislative session.

Legislation passed in 2004 established an advisory committee to provide input on the Oil Heat Insurance Program. The committee started meeting in May and is composed of one member from each of the following stakeholders: the Pacific Northwest Oil Heat Council, the Washington Oil Marketers Association, the Western States Petroleum Association, and the Department of Ecology. The advisory group also includes three members representing insured oil heat consumers. One of the key issues that the advisory committee is examining is possible changes to funding for the oil heat program. Recommendations from this group are expected to be finalized by mid 2005.