

Tripling Hazardous Substance Tax Would Boost Gas Prices *New taxes not needed to protect Puget Sound*

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The Washington legislature is considering a tax increase intended to support the state's effort to protect and restore one of the Washington's most notable natural resources, the Puget Sound and other state waterways. The state would collect new revenues by increasing the tax rate on hazardous substances imported into Washington. This would increase gas prices by four to six cents per gallon.

While the tax is being sold as part of Puget Sound cleanup, lawmakers in Olympia plan to spend the collected revenue to pay for other government services not related to environmental health. The legislature did something similar last year, when they diverted more than \$100 million away from Puget Sound priorities.

Hazardous substances covered by the tax increase include petroleum products, pesticides, and other everyday household items. Many of these products contain chemicals that have been identified as pollutants found in stormwater runoff, that eventually enter the waters of the Puget Sound. Proponents of the tax increase claim that it would raise as much as \$150 million annually to support water quality enhancement activities throughout the state.

The proposed tax increase would be added to the hundreds of millions of dollars already collected and spent by government officials on Puget Sound cleanup. However, the need for additional funding is based on a false accounting of current funding and misleading science that has been recalculated since adoption of the Puget Sound Partnership's Action Agenda.

Before policymakers increase taxes on consumers, they should understand how current resources are being spent, as well as the latest science being used by proponents to support their claims for additional funding.

Water Quality Funding

In the 2009-11 biennium, the state legislature authorized approximately \$400 million to a variety of activities that would protect and restore water quality. According to the Puget Sound Partnership, the state allocated \$260 million from the capital budget, \$116 million from the operating budget and approximately \$23 million from the transportation budget.¹

The various actions funded in the budget are part of the state's Action Agenda, which was put together by the Puget Sound Partnership as a roadmap to healthier waters by prioritizing cleanup and improvement projects.

¹ "2009 State of the Sound," by Puget Sound Partnership, January 2010.

Federal agencies contributed approximately \$132 million for Agenda projects, primarily through federal stimulus funding.² Combined, the state and federal government will spend more than \$532 million during the current biennium.

These totals do not include for expenditures by local governments and private citizens either through voluntary projects or to comply with regulations.

Local governments around the state collect and spend hundreds of millions every year to prevent flooding, improve water quality and enhance fish habitat. This action is regulated by state law requiring many local governments to obtain a permit to deal with stormwater. Since 1995, the largest urban areas of the state, like Seattle and Tacoma, have been required to comply with modern stormwater discharge standards. In 2007 the state adopted more stringent standards requiring all urban areas to comply as well.

According to the Association of Washington Cities (AWC), more than 98 cities and 12 counties now comply, or are working toward compliance with the 2007 stormwater discharge standards.³ In order to meet the requirements and costs of the permit, local governments collect a utility tax from their citizens.

A survey conducted by AWC notes that the average monthly tax by the utility per home is \$10.21 with an average customer base of 7,502 people. In total the survey found that local governments collect more than \$200 million every year to renovate existing infrastructure and prevent stormwater pollution.⁴

The table below shows the jurisdiction with the highest collection rate from each county that responded to AWC's *Tax and User Fee Survey 2008*:

City	County	Number Single Family Residential Customers	Monthly Residential Rate/ ERU or ESU	Estimated 2008 Utility Revenue
Bellingham	Whatcom	18,000	\$7.00	\$5,387,343
Mount Vernon	Skagit	8,033	\$6.05	\$1,500,000
Everett	Snohomish	21,148	\$10.50	\$5,500,000
Redmond	King	10,525	\$16.56	\$20,955,570
Sumner	Pierce	2,332	\$9.46	\$23,400,350
Bainbridge Island	Kitsap	11,187	\$12.47	\$1,900,000
Oak Harbor	Island	4,161	\$7.70	\$975,000
Lacey	Thurston	11,325	N/A	\$2,864,379
Port Angeles	Clallam	6,632	\$6.00	\$690,000
Friday Harbor	San Juan	763	\$10.25	\$342,350

² Ibid.

³ "The Municipal Stormwater Challenge," by Association of Washington Cities, February 2009.

⁴ "Tax and User Fee Survey 2008," by Association of Washington Cities, Executive Summary.

In addition to taxes collected by governments, private citizens are required to comply with strict stormwater standards when developing land for various purposes. The stormwater standards apply to any construction activity that disturbs one acre or more that may result in a discharge of stormwater, such as storm drains, ditches, wetlands, or any other water of the state. Compliance with such rules adds significant costs, in the forms of fees and taxes, to developers and increases the cost of living in Washington.⁵

The stringent stormwater standards that apply to new developments require developers to provide systems that clean stormwater, removing pollutants before they leave the site and discharge into the waters of the state. This means that the taxes collected by local governments and money spent by the state can be focused on inefficiencies in existing stormwater infrastructure.

The Scientific Record

The Puget Sound Partnership says stormwater is a major risk to the health of the Puget Sound. Highlighting the importance of stormwater as a leading factor in water quality, the Executive Director of the Partnership, David Dicks wrote in July 2009 that, “Puget Sound is being pushed to the brink by an invisible enemy: polluted stormwater runoff....Nearly 150,000 pounds of toxic chemicals – including petroleum, lead, arsenic and fertilizers – enter Puget Sound each day.”⁶

The claim that the stormwater carried “150,000 pounds of toxic chemicals” daily to the Sound comes from a Washington State Department of Ecology Report. In the report, Ecology officials said more than 52 million pounds, or 24,000 tons, washed into the Puget Sound every year.⁷

Yet such claims were absent when the Partnership released its biennial *2009 State of the Sound* report. Even proponents for the current tax proposal have dropped the massive claims originally made during the Action Agenda’s introduction. Why?

A critical review from an independent research firm found significant errors in Ecology’s estimates of pollutants entering the Puget Sound as a result of stormwater.⁸ In December 2009, Ecology released a memorandum correcting the errors, which found its stormwater report:

“...was fundamentally flawed in assuming a much higher average annual hydrologic yield from land uses and watersheds with more impervious area. In general, the improved hydrologic analysis method resulted in absolute toxic chemical loading estimates that are approximately 3 times lower than the loading estimates provided in the phase 2 study.”⁹

In other words, the claim that stormwater delivered 52 million pounds of pollutants to the Puget Sound was in error. In fact, the corrected numbers show that only about 14 million pounds, or 6,500 tons, of pollutants per year enter the Sound via stormwater, a much lower amount than Ecology officials first reported to the public.

⁵ “How Government Officials Increase Home Prices,” by Brandon Houskeeper, Washington Policy Center, January 2010.

⁶ “Puget Sound’s invisible enemy: polluted stormwater,” by David Dicks, Puget Sound Partnership, <http://www.djc.com/news/en/12008529.html>, last accessed 2/8/10.

⁷ “Control of Toxic Chemicals in Puget Sound Phase 2: Pollutant Loading Estimates for Surface Runoff and Roadways,” by Washington State Department of Ecology, November 2008.

⁸ “Addendum 2: Phase 1 and Phase 2 Toxics Loading Reports,” Washington State Department of Ecology, December 10, 2009.

⁹ Ibid.

The table below shows the change in pollutant loading to the Puget Sound after the recalculation.¹⁰

	Loading Based on 75 Percent POE Concentration	Loading Based on 50 Percent POE Concentration	Loading Based on 25 Percent POE Concentration
Phase 1 Study ^a	8,800	21,000	54,000
Phase 2 Study ^b	22,900	52,300	123,000
Phase 2 Loading Recalculation	5,960	15,200	41,700

^a Source: Hart Crowser et al. (2007)

^b Source: EnviroVision et al. (2008)

Current clean-up policies of the Puget Sound Partnership’s Action Agenda are based on the flawed findings of the Phase 1 and 2 studies. The drastic reduction in stormwater loading identified by the corrected study may impact the priorities of stormwater activities in the Action Agenda. Because funding of the Action Agenda is directly tied to the science, policymakers should reassess the level of funding that is currently being sought to deal with stormwater pollution. 14 million pounds of pollutants is still something we should address to help the health of the Puget Sound, but current funding levels may not be consistent with the actual scientific record.

Conclusion

The current state budget deficit does not negate the need to protect the environment. In fact, lawmakers should not use the public’s desire to fund environmental projects as a ruse to fund other governmental costs. Instead policymakers should use the tight budget as an opportunity to provide increased scrutiny of environmental policies and the resources used to support them.

The Department of Ecology is currently working on a Phase 3 of the toxics loading report that will help lawmakers better understand the actual need for new taxes to treat stormwater runoff. This report will be available to policymakers later in 2010, after the legislative session has ended.

During the 2009-11 biennium, state, federal and local government officials will have spent more than \$800 million on water quality projects around the state. While some policymakers acknowledge the excessive burden on the citizens, the current tax proposal does nothing to lighten it. A tripling of the hazardous substance tax will amount to an increase in the tax burden on consumers by increasing the price of gas by four to six cents a gallon. In addition, everyday products like bug repellent and lawn fertilizers, just to name a few, will increase in price.

By simply restoring the more than \$100 million in water quality funding that was diverted during the 2009 budget, lawmakers could have the same fiscal impact on water quality enhancement without placing an additional tax burden on their constituents.

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¹⁰ Ibid.