



PRESS RELEASE

USW 12-591 and the Current Revenue Debate in the Washington Legislature

The current debate in the Washington State Legislature, over the best approach to deal with the projected revenue shortfall, has generated some proposals that have the potential to do great harm to the economic vitality of NW Washington. Proposed House Bill 3181, and its counterpart, Senate Bill 6851 would triple the existing hazardous substance tax (HST) from .7% to 2.0%. It is acknowledged, that this is primarily a tax on oil refiners, as up to 85% of the funds generated over the last 20 years have come from this industry. When added to the already high taxes and fees paid by these employers, the fuels produced here could become uncompetitive with products produced elsewhere, resulting in plant closings, layoffs, reduced investment, and sustained economic decline.

While the members of our local understand the need to deal responsibly with the budget shortfall, we cannot support tax proposals that could sacrifice some of the most effective economic drivers in our region. Moreover, we believe that appropriate solutions will be free of the deception represented by these bills, which use legitimate concerns over funding for environmental projects, in order to grow the State General Fund. Better solutions will burden all citizens equally, and will not do irreparable harm to our economy, while we try to recover from the worst recession in a generation. The best solutions will recognize that the current revenue shortfall is most likely a temporary problem that will resolve itself as the economy recovers. These solutions will be straight forward when implemented, and then phased out as the economy improves.

Temporary solutions have another advantage. They may represent a way to achieve a compromise on this divisive issue. To impose an honest tax, no larger than necessary, which is then phased out as it becomes unnecessary, has the potential to earn the support of a majority of responsible legislators. An example of this type of solution may be another bill currently in the House. House Bill 3183 would impose a temporary sales tax increase which would then be phased out over time. While the pros and cons of this proposal remain to be discussed, it suggests a way forward at a very difficult time.

USW Local 12-591 encourages all residents of our communities to educate themselves about these issues. As they do, it becomes readily apparent that the best interests of many thousands of people in our region are at stake. We encourage you to contact State legislators to voice your concerns.



General Information on the Economic Impact of the Refining Industry in Washington. Data from the 2007 report.

1. More than 2000 people are employed at good pay and benefits. These jobs are directly related to refinery operations, and are primarily located in NW Washington.
2. Extraordinarily high capital requirements are needed to supply and maintain the plants, and because of the high wages that characterize these jobs, a multiplier is recognized which determines how many more jobs in the state are created by these operations.
3. The multiplier has been determined to be between 9 and 10. Therefore, it is known that more than 20,000 people owe their livelihoods to these operations.
4. Because these plants are primarily located in the NW part of the state, it is thought that Skagit and Whatcom counties, in particular, benefit from these 20,000 jobs.
5. The combined effect of these jobs results in a contribution to the state economy of more than one **billion** dollars.
6. The industry is highly taxed and regulated. Combined, the refiners paid 183 **million** dollars in State and Local taxes in 2007.
7. Fuel products produced in this state must compete in the market with products primarily in Asia and California.
8. Because of different tax structures, fuels produced in Washington State are taxed at twice the rate of fuels produced in California. This is primarily due to high B&O taxes and the exiting Hazardous Substance Tax (HST). Both of these taxes are levied in Washington but not in California.
9. Much of the Asian production enjoys State subsidies or is produced in emerging economies in China and India where wages are low, benefits are nonexistent, and virtually no effort is made to protect the environment or the health and safety of the workforce.
10. In the past year, six refineries in North America, four of them in the United States, have been shut down. More closings are being considered. Don't think it can't happen here.



Because specific impacts to refinery operations are variable should these bills become law, and because of other economic factors, as well as the differences in the business models of the individual corporations, impacts should be considered under two scenarios.

- I. Consequences Related to the bill's passage if there are no Immediate Job Losses.
 1. Higher fuel costs. The bill represents a backdoor way to increase fuel taxes. The Washington state department of revenue has estimated that the tax increase would likely add as much as 5-7 cents per gallon to the cost at the pump.
 2. The impact, as a result of the higher fuel costs, would be a general economic decline, or a failure to fully recover from the current recession.
 3. Everything dependent on fuel for production, or transport, would experience this effect. Fuel intensive activities like agriculture would be particularly impacted. Even though Ag. Is protected from some of the road taxes, these increases could not be avoided. The increased cost may be particularly damaging for agricultural exports, which like exported fuel, has to compete in a world market. Given the importance of agriculture in Skagit and Whatcom counties, this sector could be hurt badly.
 4. Capital spending levels would be reduced – perhaps severely- for maintenance, turnarounds, and new construction. This would not only reduce the economic multiplier effect for the whole state, it may also increase the already considerable human and environmental risks to the communities around these plants due to potential process safety failures. It takes money to keep these plants safe.
 5. The refineries are the largest single point contributors to the United Way agencies. It should be assumed that these contributions could be reduced. This impacts many low income wage workers.



II. Consequences Related to the bill's passage if there are Significant Job Losses.

1. Severe economic decline, particularly in Skagit and Whatcom counties. The recession would not end. Here, it would get worse.
2. Lower property values currently depressed by the recession would be further reduced, and then be sustained. They would not recover with the rest of the national economy.
3. The lower property values are most likely to result in higher property taxes, and reduced support for essential public services, particularly in communities closest to the refineries, like Anacortes. The county assessors' office can likely explain this if needed. See also the report from Rhode Island where Valero recently shut a refinery.
4. After the cost of crude, utility expenses are some of the refineries biggest costs. They buy huge amounts of electricity, PUD water, and natural gas. If these purchases are not made, every other user of those utilities is likely to experience higher costs. These systems must be maintained and developed. The users that remain will have to pay these costs. The group most immediately impacted would be those who rely on water from the Anacortes treatment plant. About 60-70% of the plant's production is used by the two refineries on March Point. From La Conner to Oak Harbor, everyone on the system can expect higher water bills.
5. The local United Way organization would experience a huge loss in contributions, if one or more refineries are not around to contribute. The refiners are the largest single point contributors to the United Way in our area. These cuts in funds for essential services would come at a time when the services were needed most.
6. You think the unemployment rate in Skagit and Whatcom counties is high now? Just wait. You think it's hard to get a job now in this area? Imagine what it would be like to compete for scarce jobs against hundreds of skilled and experienced industrial workers.