

AMENDED IN ASSEMBLY JUNE 24, 2015

**SENATE BILL**

**No. 295**

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**Introduced by Senator ~~De León~~ Jackson**  
*(Principal coauthor: Assembly Member Williams)*

February 23, 2015

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~~An act to amend Sections 17053.86 and 23686 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy. An act to amend Section 51013.5 of, and to add Section 51015.1 to, the Government Code, relating to pipeline safety.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 295, as amended, ~~De León~~ Jackson. ~~College Access Tax Credit Fund.~~ Pipeline safety: inspections.

*Under the Elder California Pipeline Safety Act of 1981, the State Fire Marshal exercises safety regulatory jurisdiction over intrastate pipelines used for the transportation of hazardous or highly volatile liquid substances. The act authorizes the State Fire Marshal to exercise safety regulatory jurisdiction over portions of interstate pipelines located within the state and subject to an agreement between the United States Secretary of Transportation and the State Fire Marshal. The act requires those pipelines over 10 years of age to be hydrostatically tested every 3 or 5 years, as provided, except that high-risk pipelines, as designated by the State Fire Marshall, are to be tested every 2 years or annually, as provided.*

*This bill would require the State Fire Marshal, or an officer or employee authorized by the State Fire Marshal, to annually inspect all operators of intrastate pipelines under the jurisdiction of the State Fire Marshal. The bill would require pipelines over 5 years of age to be hydrostatically tested every 2 or 3 years, as provided, and would require*

*all designated high-risk pipelines to be tested annually. The bill would require the State Fire Marshall, to the maximum extent possible, to become an inspection agent by entering into an agreement with the federal Pipeline and Hazardous Materials Safety Administration, as specified. The bill would require the State Fire Marshall to revise specified fees assessed to cover the costs associated with this measure. The bill would also delete obsolete provisions.*

~~The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws, including, for taxable years beginning on or after January 1, 2014, and before January 1, 2017, a credit equal to a certain percentage of a contribution to the College Access Tax Credit Fund for specified education purposes, as provided.~~

~~This bill would extend the allowance of these credits to taxable years beginning before January 1, 2018.~~

~~This bill would take effect immediately as a tax levy.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 *SECTION 1. Section 51013.5 of the Government Code is*  
2 *amended to read:*

3 51013.5. (a) Every newly constructed pipeline, existing  
4 pipeline, or part of a pipeline system that has been relocated or  
5 replaced, and every pipeline that transports a hazardous liquid  
6 substance or highly volatile liquid substance, shall be tested in  
7 accordance with Subpart E (commencing with Section 195.300)  
8 of Part 195 of Title 49 of the Code of Federal Regulations.

9 (b) Every pipeline not provided with properly sized automatic  
10 pressure relief devices or properly designed pressure limiting  
11 devices shall be hydrostatically tested annually.

12 (c) Every pipeline over ~~10~~ *five* years of age and not provided  
13 with effective cathodic protection shall be hydrostatically tested  
14 every ~~three~~ *two* years, except for those on the State Fire Marshal's  
15 list of higher risk pipelines, which shall be hydrostatically tested  
16 annually.

17 (d) Every pipeline over ~~10~~ *five* years of age and provided with  
18 effective cathodic protection shall be hydrostatically tested every  
19 ~~five~~ *three* years, except for those on the State Fire Marshal's list

1 of higher risk pipelines which shall be hydrostatically tested ~~every~~  
2 ~~two years.~~ *annually.*

3 (e) Piping within a refined products bulk loading facility served  
4 by pipeline shall be tested hydrostatically at 125 percent of  
5 maximum allowable operating pressure utilizing the product  
6 ordinarily transported in that piping if that piping is operated at a  
7 stress level of 20 percent or less of the specified minimum yield  
8 strength of the pipe. The frequency for pressure testing these  
9 pipelines shall be every five years for those pipelines with effective  
10 cathodic protection and every three years for those pipelines  
11 without effective cathodic protection. If that piping is observable,  
12 visual inspection may be the method of testing.

13 ~~(f) Beginning on July 1, 1990, and continuing until the~~  
14 ~~regulations adopted by the State Fire Marshal pursuant to~~  
15 ~~subdivision (g) take effect, each pipeline within the State Fire~~  
16 ~~Marshal's jurisdiction which satisfies any of the following sets of~~  
17 ~~criteria shall be placed on the State Fire Marshal's list of higher~~  
18 ~~risk pipelines until five years pass without a reportable leak due~~  
19 ~~to corrosion or defect on that pipeline. Initially, pipelines on that~~  
20 ~~list shall be tested by the next scheduled test date, or within two~~  
21 ~~years of being placed on the list, whichever is first. On July 1,~~  
22 ~~1990, pipeline operators shall provide the State Fire Marshal with~~  
23 ~~a list of all their pipelines which satisfy the criteria in this~~  
24 ~~subdivision as of July 1, 1990. If any pipeline becomes eligible~~  
25 ~~for the list of higher risk pipelines after that date, the pipeline~~  
26 ~~company shall report that fact to the State Fire Marshal within 30~~  
27 ~~days, and the pipeline shall be placed on the list retroactively to~~  
28 ~~the date on which it became eligible for listing. Pipelines which~~  
29 ~~are found to belong on the list, but are not so reported by the~~  
30 ~~operator to the State Fire Marshal, shall be placed on the list~~  
31 ~~retroactively. Operators failing to properly report their pipelines~~  
32 ~~shall be subject to penalties under Section 51018.6. Pipelines not~~  
33 ~~covered under the risk criteria developed pursuant to subdivision~~  
34 ~~(g) shall be deleted from the list when regulations are adopted~~  
35 ~~pursuant to that subdivision. For purposes of this subdivision, a~~  
36 ~~leak which is traceable to an external force, but for which corrosion~~  
37 ~~is partly responsible, shall be deemed caused by corrosion, "defect"~~  
38 ~~refers to manufacturing or construction defects, and "leak" or~~  
39 ~~"reportable leak" means a rupture required to be reported pursuant~~  
40 ~~to Section 51018. As long as all pipelines are tested in their entirety~~

1 at least as frequently as standard risk pipelines under subdivisions  
2 (e) and (d), it shall suffice for additional tests on higher risk  
3 pipelines to cover 20 pipeline miles in all directions along an  
4 operator's pipeline from the position of the leak or leaks which  
5 led to the inclusion or retention of that pipeline on the higher risk  
6 list. The interim list shall include pipelines which meet any of the  
7 following criteria:

8 (1) Have suffered two or more reportable leaks, not including  
9 leaks during a certified hydrostatic pressure test, due to corrosion  
10 or defect in the prior three years.

11 (2) Have suffered three or more reportable leaks, not including  
12 leaks during a certified hydrostatic pressure test, due to corrosion,  
13 defects, or external forces, but not all due to external forces, in the  
14 prior three years.

15 (3) Have suffered a reportable leak, except during a certified  
16 hydrostatic pressure test, due to corrosion or defect of more than  
17 50,000 gallons, or 10,000 gallons in a standard metropolitan  
18 statistical area, in the prior three years; or have suffered a leak due  
19 to corrosion or defect which the State Fire Marshal finds has  
20 resulted in more than 42 gallons of a hazardous liquid within the  
21 State Fire Marshal's jurisdiction entering a waterway in the prior  
22 three years; or have suffered a reportable leak of a hazardous liquid  
23 with a flashpoint of less than 140 degrees Fahrenheit, or 60 degrees  
24 centigrade, in the prior three years.

25 (4) Are less than 50 miles long, and have experienced a  
26 reportable leak, except during a certified hydrostatic pressure test,  
27 due to corrosion or a defect in the prior three years. For the  
28 purposes of this paragraph, the length of a pipeline with more than  
29 two termini shall be the longest distance between two termini along  
30 the pipeline.

31 (5) Have experienced a reportable leak in the prior five years  
32 due to corrosion or defect, except during a certified hydrostatic  
33 pressure test, on a section of pipe more than 50 years old. For  
34 pipelines which fall in this category, and no other category of  
35 higher risk pipeline, additional tests required by this subdivision  
36 shall be required only on segments of the pipe more than 50 years  
37 old as long as all pipe more than 50 years old which is within 20  
38 pipeline miles from the leak in all directions along an operator's  
39 pipeline is tested.

40 (g)

1 (f) The State Fire Marshal shall study indicators and precursors  
2 of serious pipeline accidents, and, in consultation with the Pipeline  
3 Safety Advisory Committee, shall develop criteria for identifying  
4 which hazardous liquid pipelines pose the greatest risk to people  
5 and the environment due to the likelihood of, and likely seriousness  
6 of, an accident due to corrosion or defect. The study shall give due  
7 consideration to research done by the industry, the federal  
8 government, academia, and to any other information which the  
9 State Fire Marshal shall deem relevant, including, but not limited  
10 to, recent leak history, pipeline location, and materials transported.  
11 Beginning January 1, 1992, using the criteria identified in that  
12 study, the State Fire Marshal shall maintain a list of higher risk  
13 pipelines, which exceed a standard of risk to be determined by the  
14 State Fire Marshal, and which shall be tested as required in  
15 subdivisions (c) and (d) as long as they remain on the list. ~~By~~  
16 ~~January 1, 1992, after public hearings, the State Fire Marshal shall~~  
17 ~~adopt regulations to implement this subdivision.~~

18 ~~(h)~~

19 (g) In addition to the requirements of subdivisions (a) to (e),  
20 inclusive, the State Fire Marshal may require any pipeline subject  
21 to this chapter to be subjected to a pressure test, or any other test  
22 or inspection, at any time, in the interest of public safety.

23 ~~(i)~~

24 (h) Test methods other than the hydrostatic tests required by  
25 subdivisions (b), (c), (d), and (e), including inspection by  
26 instrumented internal inspection devices, may be approved by the  
27 State Fire Marshal on an individual basis. If the State Fire Marshal  
28 approves an alternative to a pressure test in an individual case, the  
29 State Fire Marshal may require that the alternative test be given  
30 more frequently than the testing frequencies specified in  
31 subdivisions (b), (c), (d), and (e).

32 ~~(j)~~

33 (i) The State Fire Marshal shall adopt regulations ~~before January~~  
34 ~~1, 1992,~~ to establish what the State Fire Marshal deems to be an  
35 appropriate frequency for tests and inspections, including  
36 instrumented internal inspections, which, when permitted as a  
37 substitute for tests required under subdivisions (b), (c), and (d),  
38 do not damage pipelines or require them to be shut down for the  
39 testing period. That testing shall in no event be less frequent than  
40 is required by subdivisions (b), (c), and (d). Each time one of these

1 tests is required on a pipeline, it shall be approved on the same  
 2 individual basis as under subdivision ~~(i)~~: (h). If it is not approved,  
 3 a hydrostatic test shall be carried out at the time the alternative  
 4 test would have been carried out, and subsequent tests shall be  
 5 carried out in accordance with the time intervals prescribed by  
 6 subdivision (b), (c), or (d), as applicable.

7 *SEC. 2. Section 51015.1 is added to the Government Code, to*  
 8 *read:*

9 *51015.1. (a) The State Fire Marshal, or an officer or employee*  
 10 *authorized by the State Fire Marshal, shall annually inspect all*  
 11 *operators of intrastate pipelines under the jurisdiction of the State*  
 12 *Fire Marshal to ensure compliance with applicable laws and*  
 13 *regulations.*

14 *(b) For portions of interstate pipelines that are not under the*  
 15 *jurisdiction of the State Fire Marshal pursuant to Section 51010.6,*  
 16 *the State Fire Marshal shall, to the maximum extent possible,*  
 17 *become an inspection agent through entering into an interstate*  
 18 *inspection agent agreement with the federal Pipeline and*  
 19 *Hazardous Materials Safety Administration.*

20 *(c) The State Fire Marshall shall revise the fee assessed*  
 21 *pursuant to Section 51019 to a level sufficient to cover the costs*  
 22 *associated with the implementation of this section and Section*  
 23 *51013.5, as amended by the act adding this section.*

24 ~~SECTION 1. Section 17053.86 of the Revenue and Taxation~~  
 25 ~~Code is amended to read:~~

26 ~~17053.86. (a) (1) For each taxable year beginning on or after~~  
 27 ~~January 1, 2014, and before January 1, 2018, there shall be allowed~~  
 28 ~~as a credit against the “net tax,” as defined in Section 17039, an~~  
 29 ~~amount equal to the following:~~

30 ~~(A) For each taxable year beginning on and after January 1,~~  
 31 ~~2014, and before January 1, 2016, 60 percent of the amount~~  
 32 ~~contributed by the taxpayer for the 2014 or 2015 taxable year to~~  
 33 ~~the College Access Tax Credit Fund, as allocated and certified by~~  
 34 ~~the California Educational Facilities Authority.~~

35 ~~(B) For each taxable year beginning on and after January 1,~~  
 36 ~~2016, and before January 1, 2017, 55 percent of the amount~~  
 37 ~~contributed by the taxpayer for the 2016 taxable year to the College~~  
 38 ~~Access Tax Credit Fund, as allocated and certified by the California~~  
 39 ~~Educational Facilities Authority.~~

1 ~~(C) For each taxable year beginning on and after January 1,~~  
2 ~~2017, and before January 1, 2018, 50 percent of the amount~~  
3 ~~contributed by the taxpayer for the 2017 taxable year to the College~~  
4 ~~Access Tax Credit Fund, as allocated and certified by the California~~  
5 ~~Educational Facilities Authority.~~  
6 ~~(2) Contributions shall be made only in cash.~~  
7 ~~(b) (1) The aggregate amount of credit that may be allocated~~  
8 ~~and certified pursuant to this section and Section 23686 shall be~~  
9 ~~an amount equal to the sum of all of the following:~~  
10 ~~(A) Five hundred million dollars (\$500,000,000) in credits for~~  
11 ~~the 2014 calendar year and each calendar year thereafter.~~  
12 ~~(B) The amount of previously unallocated and uncertified~~  
13 ~~credits.~~  
14 ~~(2) (A) For purposes of this section, the California Educational~~  
15 ~~Facilities Authority shall do all of the following:~~  
16 ~~(i) On or after January 1, 2014, and before January 1, 2018,~~  
17 ~~allocate and certify tax credits to taxpayers under this section.~~  
18 ~~(ii) Establish a procedure for taxpayers to contribute to the~~  
19 ~~College Access Tax Credit Fund and to obtain from the California~~  
20 ~~Educational Facilities Authority a certification for the credit~~  
21 ~~allowed by this section. The procedure shall require the California~~  
22 ~~Educational Facilities Authority to certify the contribution amount~~  
23 ~~eligible for credit within 45 days following receipt of the~~  
24 ~~contribution.~~  
25 ~~(iii) Provide to the Franchise Tax Board a copy of each credit~~  
26 ~~certificate issued for the calendar year by March 1 of the calendar~~  
27 ~~year immediately following the year in which those certificates~~  
28 ~~are issued.~~  
29 ~~(B) (i) The California Educational Facilities Authority shall~~  
30 ~~adopt any regulations necessary to implement this paragraph.~~  
31 ~~(ii) Chapter 3.5 (commencing with Section 11340) of Part 1 of~~  
32 ~~Division 3 of Title 2 of the Government Code does not apply to~~  
33 ~~any regulation adopted by the California Educational Facilities~~  
34 ~~Authority pursuant to clause (i).~~  
35 ~~(e) (1) In the case where the credit allowed by this section~~  
36 ~~exceeds the “net tax,” the excess may be carried over to reduce~~  
37 ~~the “net tax” in the following year, and succeeding five years if~~  
38 ~~necessary, until the credit is exhausted.~~

1 ~~(2) A deduction shall not be allowed under this part for amounts~~  
2 ~~taken into account under this section in calculating the credit~~  
3 ~~allowed by this section.~~

4 ~~(d) (1) The College Access Tax Credit Fund is hereby created~~  
5 ~~as a special fund in the State Treasury. All revenue in this special~~  
6 ~~fund shall be allocated as follows:~~

7 ~~(A) First to the General Fund in an amount equal to the~~  
8 ~~aggregate amount of certified credits allowed pursuant to this~~  
9 ~~section and Section 23686 for the taxable year. Funds allocated to~~  
10 ~~the General Fund shall be considered General Fund revenues for~~  
11 ~~purposes of Sections 8 and 8.5 of Article XVI of the California~~  
12 ~~Constitution.~~

13 ~~(B) Second, upon appropriation, as follows:~~

14 ~~(i) To the Franchise Tax Board, the California Educational~~  
15 ~~Facilities Authority, the Controller, and the Student Aid~~  
16 ~~Commission for reimbursement of all administrative costs incurred~~  
17 ~~by those agencies in connection with their duties under this section,~~  
18 ~~Section 23686, and Section 69432.7 of the Education Code.~~

19 ~~(ii) To the Student Aid Commission for purposes of awarding~~  
20 ~~Cal Grants to students pursuant to Section 69431.7 of the Education~~  
21 ~~Code.~~

22 ~~(2) The tax credit allowed by subdivision (a) of this section and~~  
23 ~~subdivision (a) of Section 23686 for donations to the College~~  
24 ~~Access Tax Credit Fund shall be known as the College Access~~  
25 ~~Tax Credit.~~

26 ~~(e) This section shall remain in effect only until December 1,~~  
27 ~~2018, and as of that date is repealed.~~

28 ~~SEC. 2. Section 23686 of the Revenue and Taxation Code is~~  
29 ~~amended to read:~~

30 ~~23686. (a) (1) For each taxable year beginning on or after~~  
31 ~~January 1, 2014, and before January 1, 2018, there shall be allowed~~  
32 ~~as a credit against the "tax," as defined in Section 23036, an amount~~  
33 ~~equal to the following:~~

34 ~~(A) For each taxable year beginning on and after January 1,~~  
35 ~~2014, and before January 1, 2016, 60 percent of the amount~~  
36 ~~contributed by the taxpayer for the 2014 or 2015 taxable year to~~  
37 ~~the College Access Tax Credit Fund, as allocated and certified by~~  
38 ~~the California Educational Facilities Authority.~~

39 ~~(B) For each taxable year beginning on and after January 1,~~  
40 ~~2016, and before January 1, 2017, 55 percent of the amount~~

1 contributed by the taxpayer for the 2016 taxable year to the College  
2 Access Tax Credit Fund, as allocated and certified by the California  
3 Educational Facilities Authority.

4 (C) For each taxable year beginning on and after January 1,  
5 2017, and before January 1, 2018, 50 percent of the amount  
6 contributed by the taxpayer for the 2017 taxable year to the College  
7 Access Tax Credit Fund, as allocated and certified by the California  
8 Educational Facilities Authority.

9 (2) Contributions shall be made only in cash.

10 (b) (1) The aggregate amount of credit that may be allocated  
11 and certified pursuant to this section and Section 17053.86 shall  
12 be an amount equal to the sum of all of the following:

13 (A) Five hundred million dollars (\$500,000,000) in credits for  
14 the 2014 calendar year and each calendar year thereafter.

15 (B) The amount of previously unallocated and uncertified  
16 credits.

17 (2) (A) For purposes of this section, the California Educational  
18 Facilities Authority shall do all of the following:

19 (i) On or after January 1, 2014, and before January 1, 2018,  
20 allocate and certify tax credits to taxpayers under this section.

21 (ii) Establish a procedure for taxpayers to contribute to the  
22 College Access Tax Credit Fund and to obtain from the California  
23 Educational Facilities Authority a certification for the credit  
24 allowed by this section. The procedure shall require the California  
25 Educational Facilities Authority to certify the contribution amount  
26 eligible for credit within 45 days following receipt of the  
27 contribution.

28 (iii) Provide to the Franchise Tax Board a copy of each credit  
29 certificate issued for the calendar year by March 1 of the calendar  
30 year immediately following the year in which those certificates  
31 are issued.

32 (B) (i) The California Educational Facilities Authority shall  
33 adopt any regulations necessary to implement this paragraph.

34 (ii) Chapter 3.5 (commencing with Section 11340) of Part 1 of  
35 Division 3 of Title 2 of the Government Code does not apply to  
36 any regulation adopted by the California Educational Facilities  
37 Authority pursuant to clause (i).

38 (e) (1) In the case where the credit allowed by this section  
39 exceeds the "tax," the excess may be carried over to reduce the

1 “tax” in the following year, and succeeding five years if necessary;  
2 until the credit is exhausted.

3 (2) A deduction shall not be allowed under this part for amounts  
4 taken into account under this section in calculating the credit  
5 allowed by this section.

6 (d) This section shall remain in effect only until December 1,  
7 2018, and as of that date is repealed.

8 SEC. 3. This act provides for a tax levy within the meaning of  
9 Article IV of the Constitution and shall go into immediate effect.

# Senate Bill 295

## Oil Pipeline Inspections

### Senator Jackson

#### SUMMARY

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SB 295 will help reduce the risk of oil spills from pipelines by:

1. Requiring the State Fire Marshall to annually inspect all intrastate pipeline operators.
2. Instructing the State Fire Marshall to enter into an agreement with the Pipeline and Hazardous Materials Safety Administration in order to inspect federally regulated interstate pipelines.
3. Increasing the frequency of hydrostatic (pressure) pipeline inspections.
4. Requiring the State Fire Marshall to increase the fees assessed on pipeline operators in order to pay for increased inspections.

#### BACKGROUND

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In 1969, the then-largest known oil spill blackened the pristine Santa Barbara coastline. That spill spawned Earth Day, giving birth to the environmental movement.

On May 19 of this year tragedy struck again when an onshore pipeline carrying crude oil ruptured and spilled over 100,000 gallons of oil, over 20,000 gallons of which ended up in the ocean off the Santa Barbara Coastline. To date this spill has caused significant negative impacts to the ocean, local beaches, wildlife, and the local economy. Although the investigation into the response and the oil spill is ongoing, we do know that corrosion was responsible for the rupture. Before the spill, the last completed inspection was in 2013. The pipeline was again inspected in 2015, but at the time of the accident the results of the inspection had not been analyzed.

#### SOLUTION

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The pipeline that ruptured—line 901—was being inspected every other year. If line 901 had been inspected annually the corrosion would likely have been detected before it ruptured and this disaster would have been avoided. Because line 901 is federally regulated, SB 295 addresses these shortcomings by directing the State Fire Marshall to seek the authority to inspect federally regulated pipelines and to inspect all pipelines annually.

Increasing the frequency of hydrostatic testing will also help reduce the risk of oil spills caused by pipeline failure. Hydrostatic tests are performed by pressurizing pipelines beyond their operating pressure. It has been reported that the operating pressure of line 901 was 650 pounds per square inch (psi); the failure occurred when the pressure spiked to 700 psi, or 107.7 percent of its operating pressure. The State Fire Marshall pressurizes pipelines to 125 percent during hydrostatic testing, well above the 107.7 percent that caused line 901 to fail. A hydrostatic test would likely have ruptured line 901, spilling nothing.

Most importantly, oil pipeline owners should be financially responsible to ensure their pipelines operate safely and meet applicable laws and regulations, not taxpayers, which is why SB 295 requires fee increases on pipeline owners to pay for more inspections.

#### SUPPORT

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Asian Pacific Environmental Network  
Audubon California  
Azul  
California Coastal Protection Network  
California League of Conservation Voters  
Center for Biological Diversity  
Clean Water Action  
Defenders of Wildlife  
Environment California  
Environmental Action Committee of West Marin  
Environmental Defense Center  
Environmental Working Group  
Heal the Bay  
National Parks Conservation Association  
Natural Resources Defense Council  
Santa Barbara Channelkeeper  
Surfrider Foundation  
Surfrider Foundation Santa Barbara Chapter  
Surfrider Foundation South Bay Chapter  
Wildcoast

#### CONTACT

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