Multiple Agency Fiscal Note Summary

Bill Number: 2569 E 2S HB	Title: Diesel emissions pollution

Estimated Cash Receipts

Agency Name	2013-15		2015-17		2017-19	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Department of Ecology	0	0	0	0	0	115,000
Total $	**0**	**0**	**0**	**0**	**0**	**115,000**

Estimated Expenditures

Agency Name	2013-15			2015-17			2017-19		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Ecology	.0	0	0	2.1	0	423,287	2.0	0	357,007
Total	**0.0**	**$0**	**$0**	**2.1**	**$0**	**$423,287**	**2.0**	**$0**	**$357,007**

Local Gov. Courts *									
Loc School dist-SPI									
Local Gov. Other **	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Impact

Agency Name	2013-15		2015-17		2017-19	
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Department of Ecology						
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	0	0	0	500,000	500,000
Total $	**$0**	**$0**	**$0**	**$0**	**$500,000**	**$500,000**

Prepared by: Linda Steinmann, OFM	Phone: 360-902-0573	Date Published: Final 2/27/2014

* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 37744

Individual State Agency Fiscal Note

Bill Number: 2569 E 2S HB	Title: Diesel emissions pollution	Agency: 090-Office of State Treasurer

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Jacob Lipson	Phone: 360-786-7196	Date: 02/20/2014
Agency Preparation:	Dan Mason	Phone: 360-902-9090	Date: 02/25/2014
Agency Approval:	Dan Mason	Phone: 360-902-9090	Date: 02/25/2014
OFM Review:	Chris Stanley	Phone: (360) 902-9810	Date: 02/25/2014

Request # 098-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

E2SHB 2569 creates the diesel idle reduction account and allows the account to retain its earnings from investments.

Earnings from investments:
Estimated earnings from investments are indeterminable because projected cash flows are needed to make the estimate and are currently unavailable. Earnings for an account are a function of the average daily balance of the account and the earnings rate of the investment portfolio. The average daily balance is a function of the beginning balance in the account and the timing & amount of receipts, disbursements, & transfers during the time period under review. Accordingly, even with a beginning balance of zero, two accounts with the same overall level of receipts, disbursements, and transfers can have different average daily balances, and hence different earnings.

For illustrative purposes, assume based on the February 2014 revenue forecast that approximately $1,600 in FY 15, $2,800 in FY 16, and $22,100 in FY 17 in net earnings would be gained or lost annually for every $1 million shift in average daily cash balances.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

E2SHB 2569 creates the diesel idle reduction account and allows the account to retain its earnings from investments.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Revised

Bill Number: 2569 E 2S HB	Title: Diesel emissions pollution	Agency: 461-Department of Ecology

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2014	FY 2015	2013-15	2015-17	2017-19
Diesel Idle Reduction Account-State NEW-1					115,000
Total $					115,000

Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	0.0	0.0	0.0	2.1	2.0
Account					
State Toxics Control Account-State 173-1	0	0	0	148,037	357,007
Diesel Idle Reduction Account-State NEW-1	0	0	0	275,250	0
Total $	0	0	0	423,287	357,007

Estimated Capital Budget Impact:

	2013-15		2015-17		2017-19	
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Acquisition	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Other	0	0	0	0	500,000	500,000
Total $	**$0**	**$0**	**$0**	**$0**	**$500,000**	**$500,000**

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

[X] If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

[ ] If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

[X] Capital budget impact, complete Part IV.

[X] Requires new rule making, complete Part V.

Legislative Contact:	Jacob Lipson	Phone: 360-786-7196	Date: 02/20/2014
Agency Preparation:	Marsh Taylor	Phone: 360-407-6873	Date: 02/25/2014
Agency Approval:	Erik Fairchild	Phone: 360-407-7005	Date: 02/25/2014
OFM Review:	Linda Steinmann	Phone: 360-902-0573	Date: 02/27/2014

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

CHANGES from prior bill: The engrossed second substitute differs from the second substitute bill by:

- Requiring Ecology to use existing resources to administer the diesel idle reduction loan program (section 3). As a result, Ecology would be required to absorb the costs to administer the program. The costs to administer the program have been removed from the capital tables and the attachment. The capital amounts necessary for appropriation are now just the amounts required for the loan disbursements. The costs to administer the program are discussed in part II.C - Expenditures. These costs would be absorbed by redirecting existing staffing from current work funded by the State Toxics Control Account (STCA). The amount to be absorbed is shown in the expenditures grids, as required by the OFM fiscal note instructions.
- Directing that Ecology may only adopt rules after the legislature appropriates moneys to the account created in the bill (section 7). As a result, Ecology assumes the legislature would appropriate funds in FY 2016 to the new account, rule making would occur in FY 2016 and FY 2017, and disbursements of loans would begin in FY 2018. Cash receipt collections of remittances would begin in FY 2019 instead of FY 2018.
- Authorizing the use of loan funds to augment or replace diesel engines with power systems that use liquefied or compressed natural gas (section 3). This change would have no fiscal impact.

THIS BILL would direct Ecology to establish a low- or no-interest loan program designed to reduce diesel emissions from engines operated in the public sector, particularly through the use of idle reduction technology.

Section 1 describes the intention to create a stable, wholly self-sustaining account to support the issuance of no- or low-interest loans to public sector entities.

Section 3 would specify that loans should be prioritized based primarily on the purpose of reducing public exposure to diesel emissions and improving public health. Funding for the loan program would come from an account created in Section 4. This section would require Ecology to manage the loan program within existing resources. Loans would be managed such that, over the long term, remittances to the fund would equal the disbursals from the fund. The types of projects eligible for loans are also specified in this section.

Section 4 would establish the Diesel Idle Reduction Account in the state treasury. Moneys in the account may be spent only after appropriation.

Sections 5 and 6 would make the account established in Section 4 eligible to retain its share of interest earnings.

Section 7 would authorize Ecology to adopt rules to implement the program only after the legislature appropriates moneys to the account created in Section 4. Because this version of the legislation directs Ecology to use existing resources to run the diesel loan program, Ecology would be required to absorb the costs to administer the diesel loan program.

This bill would fund a diesel pollution reduction loan program focused on the use of engine idle reduction technology. Ecology assumes this new account and loan program would not fund Ecology's other diesel pollution reduction activities, including installation of retrofit emissions controls on diesel-fueled vehicles, assisting in replacement of pre-1994 school buses, replacing or repowering pre-2007 heavy-duty engines, etc.

Funding for these activities is included in Ecology's existing 13-15 capital budget. Ecology assumes that this loan program is supplemental to the existing grant program, which focuses dollars to reduce emissions from diesel engines through multiple technologies and not just idle reduction.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

Section 4 would establish the Diesel Idle Reduction Account. However, the bill does not specify a funding source, what amount would be deposited to the account, or what amount would be available for loans. Therefore, Ecology must estimate the amount of money available for operating a program. For purposes of this fiscal note only, Ecology has developed a modest scenario (see note below and capital section) that assumes that $5 million would be deposited to the account from another state fund at some point in the future. Because of this, expenditures to implement the loan program shown in this fiscal note are also based on scenarios using the same assumption.

Ecology further assumes that the program would require rule writing and that a program would not get underway until that is complete. Ecology assumes that the legislature would appropriate moneys to the account established in this bill beginning in FY16. Ecology estimates that rule writing would require 18 months and that program development and marketing of loans would require approximately 6 additional months. Therefore, loans would become available in FY18.

Based on these assumptions and the scenario described in the capital section of this fiscal note, remittances of loan repayments would begin to be made to the Diesel Idle Reduction Account in FY19 in the amounts reflected above. (Also please see attached spreadsheet reflecting this scenario, with cash disbursal and remittance estimates. Interest on the account balance authorized under sections 5 and 6 of the bill is not included in this fiscal note or the attachment.)

Please note: Although Ecology has assumed a $5 million loan program, other options could be considered. The viability of a long-term revolving loan program would benefit from a larger capital infusion than the five million contained in this scenario. There are a number of large-scale diesel idle reduction projects that could be pursued as loans (e.g. active restraint for state ferries at dock and shorepower electrification for ocean going vessels and cruise ships) that have not been fundable under existing levels of state grant funding. Five million was chosen only for illustrative purposes to reflect sustainability of a long-term loan program. A loan capitalization of five to eight times this amount would: encourage more and larger projects that would benefit public health, and increase the funds' overall long-term sustainability.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Assumptions

For purposes of this fiscal note, Ecology assumes that the legislature would appropriate moneys to the account established in Section 4 of the bill in FY16. Because the bill stipulates that Ecology may not write rules until after money is appropriated to the account, Ecology assumes that funding for rule writing expenditures is intended to come from the new account. Therefore, the activities necessary to establish the program's rules are assumed to be funded from the Diesel Idle Reduction Account in the Operating Budget. Disbursements for loans, once underway, are assumed to come from the new Diesel Idle Reduction Account and are shown in the Capital section below. (Also, please see attached spreadsheet reflecting this scenario with cash disbursal and remittance estimates).

LOAN/PROGRAM ADMINISTRATION (STCA Funding):
Section 3 of the bill would direct Ecology to absorb the costs of administering the loan program. Ecology does not believe that it could administer such a loan program without additional resources. Therefore, Ecology would have to shift resources from other on-going Air Quality activities. Costs of administering the loan program are assumed to be up to $210,000 per year for marketing, processing, managing loans and collecting remittances (with costs ramping up in early years to a stable level, and then ramping down in later years). Ecology has determined that, in order to meet the costs of administering the loan program, it would shift resources away from existing rulemaking and State Implementation Plan (SIP) activities.These activities are currently funded by the State Toxics Control Account (173-1). The consequences of this shift would be an inability to align state rules with federal laws/requirements and a failure to submit required clean air plans in a timely manner. This could result in loss of all or portions of federally-delegated programs operated by the state, and potential imposition of federal implementation plans/requirements to maintain clean air in Washington.

Loan administration would require:
0.3 FTE diesel program manager (Environmental Specialist 5) to develop policies and guidelines associated with the loan program; budget management and program oversight; technical assistance, as needed, for procurement processes needed to hire contractors to provide and install idle reduction technologies; ongoing technical assistance, as needed, for contractors and program participants.

0.6 FTE diesel coordinator (Environmental Specialist 4) to develop outreach materials to solicit fleets to apply for the program; implement policies and guidelines associated with this loan program; review loan applications and make recommendations for awards; coordinate procurement processes needed to hire contractors to provide and install idle reduction technologies; process loan applications; process invoices; coordinate activities between idle reduction contractors and program participants.

0.1 FTE program grants coordinator (Environmental Specialist 4) to manage procurement processes needed to hire contractors to provide and install idle reduction technologies.

0.1 FTE section manager (WMS2) to support staff and resolve issues.

Financial Management System
Ecology's existing environmental loan tracking and management system is currently at capacity and would be unable to accommodate an additional loan program at this time. Ecology would therefore have some additional costs associated with on-going tracking, billing, collection and monitoring of receivables associated with the envisioned loan program, as well as amortization and revenue estimates. While all the details of managing the program are not clear at this time, Ecology expects that the lack of a computerized system would require additional staffing to perform the above functions. This is estimated to require 0.25 FTE of a Fiscal Analyst 2 in the first year of the program (FY 17), growing by 0.25 FTE per year over four years to a full FTE at the height of the program in FY20. After FY26, FA2 would decrease 0.25 FTE through FY29 and would remain at 0.25 through FY31, when the program would end.

RULES (Diesel Idle Reduction Account funding)

Section 7 would authorize, but not require Ecology to develop rules to manage the loan program. Because the bill would require repayment of monies from loan recipients, appropriate due diligence associated with underwriting, including credit worthiness, loan terms and conditions, obligations for repayments, provisions in the event of default, and other issues of prudent financial management strongly suggest that rule development should be undertaken in order to implement the program. Ecology expects that rule development would take approximately 18 months from the deposit of funds to the new account. For purposes of this fiscal note, Ecology assumes that the disbursement of loans would begin in FY18.

Ecology understands that other state agencies, authorities or offices of elected officials have low- or no-interest loan programs already in place for clients similar to those that might take advantage of a diesel idle reduction loan program. It is possible that Ecology's rule making efforts could be streamlined if Ecology's regulations could be patterned after existing programs, or if other such programs were able to administer diesel idle reduction loans (having another agency administer loans may require changes to the underlying bill). Ecology is actively exploring these avenues. For prompt response and purposes of this fiscal note, Ecology assumes that it would need to develop a loan program in regulation without benefit of other similarly-structured programs.

Developing rules for public sector loans is estimated to require:
0.8 FTE of a rule writer (Environmental Planner 3) to oversee the rulemaking process to comply with the Administrative Procedures Act; prepare rule development and communication plan; prepare and file CR-101; work with technical staff to draft rule language, coordinate and conduct stakeholder meetings, public outreach etc.; file CR-102 and hold public hearings; work with economist on economic analysis; work with technical staff to finalize rule language; and file CR-103 for adoption.

0.3 FTE of a Technical Diesel Specialist (Environmental Specialist 5) to provide technical support to Rule Writer to identify appropriate technologies and systems that reduce emissions and save money for vehicle owners; identify stakeholders, coordinate stakeholder meetings and public outreach, draft rule language, and respond to stakeholder questions.

0.1 FTE of management support (WMS 1) to provide support and direction to rule writer and keep section manager informed of any issues that may arise during the rulemaking process.

0.1 FTE of section supervisor (WMS 2) to provide support and direction to technical staff and keep program management informed of any issues that may arise during program development and administration.

0.02 FTE of an Assistant Attorney General to provide legal advice and support.

0.01 FTE of an Outreach Specialist (COEES 4) to review and approve communications plan; draft and issue press releases; respond to questions from the press, as needed; plain talk documents, such as hearing notices, FAQs, and response to comments; provide publication numbers; and post documents to website.

In addition to those positions funded over an 18 month period, in consultation with Ecology's Rules unit, Ecology assumes the need for 0.25 FTE of an Economic Analyst (Economic Analyst 3) in FY 2017 to prepare the draft and final Small Business Economic Impact Statement and Cost Benefit Analysis.

Notes on costs by object:
Salary estimates are current actual rates of staff doing similar work.

Benefits are the agency average of 33.0% of salaries.
Goods and Services are the agency average of $5,709 per direct program FTE. Attorney General costs of $4,000 in FY 16 and $2,000 in FY 17 for 0.02 FTE AAG Attorney at $199,969 per FTE are also included.
Travel expenditures are calculated at the agency average rate of $1,394 per direct program FTE.
Equipment is the agency average of $1,131 per direct program FTE.
Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 32.25% of direct program salaries and benefits, and is shown as object 9. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT Specialist 2.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years				2.1	2.0
A-Salaries and Wages				220,875	186,149
B-Employee Benefits				72,889	61,429
C-Professional Service Contracts					
E-Goods and Other Services				23,610	19,125
G-Travel				4,789	4,670
J-Capital Outlays				6,385	5,789
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Administrative Overhead				94,739	79,845
Total:	$0	$0	$0	$423,287	$357,007

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2014	FY 2015	2013-15	2015-17	2017-19
COEES 4	60,120				0.0	
Economic Analyst 3	63,192				0.1	
Environmental Planner 3	66,420				0.6	
Environmental Spec 5	68,016				0.4	0.3
Environmental Specialist 4					0.3	0.6
Fiscal Analyst 2					0.3	0.9
IT Specialist 2					0.1	
WMS 1	70,212				0.1	0.1
WMS 2	77,940				0.1	0.1
Total FTE's	405,900				2.1	2.0

Part IV: Capital Budget Impact

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

Construction Estimate	FY 2014	FY 2015	2013-15	2015-17	2017-19
Acquisition					
Construction					
Other					1,000,000
Total $					1,000,000

Section 4 would establish a Diesel Idle Reduction Account for the award and disbursement of no- or low-interest loans for the purchase and installation of technologies to reduce harmful diesel emissions. Loans are distributions of funds or services to public sector entities in some amount that is either fully reimbursed up to the amount disbursed, or reimbursed to that amount plus simple interest. In no case does Ecology assume that an entity will reimburse more than an amount of the loan and appropriate interest amount (if any).

The bill does not specify a source of funds to the account and does not appropriate funds from the account. Because of this, it is unclear how much money would be available for an idle reduction loan program. Ecology assumes that the legislature would appropriate moneys to the account in FY16.

Please note: The capital expenditures shown in the fiscal note tables and attached spreadsheet reflect only the loan disbursements, not the costs to administer the program.

Because there is little specificity on the fundamentals of a loan program in the bill, for purposes of this fiscal note, Ecology has developed a scenario to describe how such a program might work.

SCENARIO
Ecology assumes the following:
$5 million dollars would be made available in the account by FY16.
Disbursements of loans would begin in FY18.
For purposes of this fiscal note, the loan interest rate is assumed to be 3% (average).
Loan disbursements would continue for 10 years. (We assume that after ten years, we would re-evaluate how widely idle reduction technologies had been adopted, and determine whether to continue the loan program as long as the funds would last, or to repurpose the remaining funds to another diesel emission reduction strategy.)
Loans would have a 5 year payback period.
It is unclear how many entities would be interested in participating in a loan program. Ecology estimates it could be between 0 and 30 per year. For purposes of the scenario, Ecology assumes a participation level and a disbursal rate to maintain the fund's principal. (Please see attached spreadsheet.)

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 7 would authorize Ecology to establish rules necessary to implement the program only after the legislature appropriates moneys to the account created in Section 4 of this bill. While the language of the bill is permissive, Ecology believes that a program requiring loan repayments must have regulations associated with conditions of applicant suitability, credit worthiness, provisions in the event of default, and other financial safeguards.

For purposes of this fiscal note, Ecology assumes that the legislature would appropriate moneys to the account in FY16, and that rule writing would begin in FY 16.

E2SHB2569 - Sustainable Loan Calculator

Initial Funding =	$5,000,000
Annual Funding =	$0

Note: The blue cells are input cells.

Disbursements		Match
Grants	0%	0%
Loans	100%	0%
Year 1 Amount	$500,000	
Annual Disbursement	$500,000	

Interest Rate	3.0%
Loan Period (yrs)	5
Default Rate	0.0%
Guarantee Fee Rate	0.0%

Revolving Loan: Fund Balance				
Year	Admin Cost	Disbursements	Remittance	Balance
FY 17		$0	$0	$5,000,000
FY 18		$500,000	$0	$4,500,000
FY 19		$500,000	$115,000	$4,115,000
FY 20		$500,000	$227,000	$3,842,000
FY 21		$500,000	$336,000	$3,678,000
FY 22		$500,000	$442,000	$3,620,000
FY 23		$500,000	$545,000	$3,665,000
FY 24		$500,000	$545,000	$3,710,000
FY 25		$500,000	$545,000	$3,755,000
FY 26		$500,000	$545,000	$3,800,000
FY 27		$500,000	$545,000	$3,845,000
FY 28		$0	$545,000	$4,390,000
FY 29		$0	$430,000	$4,820,000
FY 30		$0	$318,000	$5,138,000
FY 31		$0	$209,000	$5,347,000
FY 32		$0	$103,000	$5,450,000
Total	$0	$5,000,000	$5,450,000	$5,450,000

Assumptions:

- Simple Interest
- Remittance = Annual Payments due at month 12, 24, 36, 48, & 60.
- Disbursement Period = 10 Years
- Total Program Period = 16 Years (1 year for start-up & 10 years for disbursements w/ 5 extra years for remittance).
- Assumes no default rate.
- Assumes no admin costs from this fund source.

2/25/2014

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 2569 E 2S HB	**Title:** Diesel emissions pollution

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- [X] Cities: Jurisdictions securing loans would have repayment costs; they would likely have reduced fuel and maintenance costs
- [X] Counties: Same as above
- [X] Special Districts: Same as above
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [X] Legislation provides local option: Jurisdictions would have the option to apply for loans
- [X] Key variables cannot be estimated with certainty at this time: Fuel savings from projects funded by loans, age of vehicles receiving idle reduction projects, cost of diesel fuel

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Allan Johnson	Phone: 360-725-5033	Date: 02/26/2014
Leg. Committee Contact: Jacob Lipson	Phone: 360-786-7196	Date: 02/20/2014
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 02/26/2014
OFM Review: Linda Steinmann	Phone: 360-902-0573	Date: 02/27/2014

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

CHANGES FROM PREVIOUS BILL:
This version would prohibit loans from this program to private entities. Loans could not be used to provide a financial return on investment. This bill specifies that this program will be administered using existing resources. Loans would be allowed for projects that replace diesel engines with those using liquefied or compressed natural gas. Finally, rules to administer the program would only be developed after the legislature approves money to fund the loan program.

THIS BILL:
This bill gives the Department of Ecology the authority to create a loan program that will fund diesel idle reduction projects.

Section 1 provides a statement of intent which cites benefits to public health and long term savings in fuel and maintenance costs. It describes the intent to create a stable, wholly self-sustaining account to support diesel idle reduction projects.

Section 2 provides definitions.

Section 3 indicates that the Department of Ecology will provide low or no interest loans for diesel idle reduction projects. These loans would be administered in conjunction with existing efforts to reduce diesel emissions. This section also itemizes permissible diesel idle reduction expenditures and indicates that loans will be made so that remittances are of equal value to disbursals over a long-term planning horizon.

Section 4 establishes a Diesel Idle Reduction Account that will be used to support the program. Loans will be disbursed and repaid through this account.

Sections 5 and 6 amend RCW 43.84.092 to allow the Diesel Idle Reduction Account able to retain its share of interest earnings.

Section 7 authorizes the Department of Ecology to adopt program rules to implement provisions of this bill.

Section 8 through 10 establish a new chapter in RCW Title 70 and provides for the expiration and implementation of sections 5 and 6.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

CHANGES FROM PREVIOUS BILL:
None.

THIS BILL:
Jurisdictions receiving loans from the Department of Ecology will see increased expenditures to implement the projects and repay the loans. Total principal and interest to be repaid would be $5.45 million. The distribution of loans amongst county, city and special districts cannot be predicted and therefore costs associated with these loans cannot be estimated by level of jurisdiction.

In addition, these jurisdictions will likely see a reduction in expenditures associated with fuel costs and vehicle maintenance.

LOAN EXPENDITURES:
Based upon assumptions provided by Ecology, total loan payments would be $5,450,000 over the life of the program ($5 million in principal and $450,000 in interest). The Department of Ecology assumes that $500,000 in loans will be disbursed each year starting in Fiscal Year 2018 for a 10-year period. Repayment of these loans will begin in FY 2019. Ecology assumes that each loan would be repaid over a five-year period. In addition, Ecology assumes that loans would have a 3 percent interest rate.

REDUCED FUEL AND MAINTENANCE COSTS:
Jurisdictions that receive loans would likely realize a substantial, but indeterminate, reduction in fuel and maintenance costs. Based upon information from Ecology's existing grant program, it appears that fuel consumption would be significantly reduced through the eligible projects. Comprehensive information is not available to provide firm dollar estimates; however, preliminary information indicates that cost savings equaled or exceeded the grant amounts within a one-to-three year period for projects receiving grants through Ecology's program.

These savings are expected to be realized throughout the remaining lifetime of the vehicle. However, because idle reduction projects occur at any various during a vehicles lifetime, the average vehicle lifetime savings cannot be estimated.

BACKGROUND:
The Department of Ecology's diesel idle reduction program has funded 58 similar projects through grants between 2006 and 2013. The Department of Ecology would provide low interest loans to supplement grants for diesel emission reduction efforts.

Over 95 percent of grant funds allocated by Ecology's grant program between 2006 and 2013 and were given to local jurisdictions, however, the breakdown by level of jurisdiction is not available. Grant funds were allocated as follows:

Transit and Rail Utilities (City, County and Transit Authorities): 20 percent
Public Works Departments (County): 1 percent
School Districts 50 percent
Fire and Ambulance (County, Local Authority and Fire Districts): 12.5 percent
Port Authorities: 12.5 percent
Private: 4 percent

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

CHANGES FROM PREVIOUS BILL:
None.

THIS BILL:
Based upon assumptions from the Department of Ecology, local governments would likely see loan revenue of $500,000 per year starting in FY 2018. This loan revenue would occur for a period of 10 years.

Ecology assumes that $5 million would be made available as loans beginning in FY 2018 over a 10-year period. It is anticipated that 100 percent of these loans will be provided to local jurisdictions. As with expenditures (see above), the distribution of loans among county, city and special districts cannot be predicted.

SOURCES:
Department of Ecology
Manson School District Pilot Project Summary
Memorandum of Understanding: City of Tacoma and Department of Ecology
Wisconsin’s Clean Diesel Grant Programs Summary – Wisconsin Dept. of Natural Resources (2012)