Multiple Agency Fiscal Note Summary

Bill Number: 2346 HB	Title: Renewable energy promotion

Estimated Cash Receipts

Agency Name	2015-17		2017-19		2019-21	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	2,944,000	2,950,000	(12,996,000)	(12,991,000)	(49,410,000)	(49,410,000)
Washington State University	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Department of Ecology	0	0	0	11,499	0	0
Total $	**2,944,000**	**2,950,000**	**(12,996,000)**	**(12,979,501)**	**(49,410,000)**	**(49,410,000)**

Local Gov. Courts *						
Loc School dist-SPI						
Local Gov. Other **		1,351,351		1,100,881		21,779
Local Gov. Total		1,351,351		1,100,881		21,779

Estimated Expenditures

Agency Name	2015-17			2017-19			2019-21		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Joint Legislative Audit and Review Committee	.1	12,000	12,000	.2	53,800	53,800	.1	9,000	9,000
Department of Commerce	.2	54,968	54,968	.3	90,254	90,254	.0	0	0
Department of Revenue	.6	115,200	115,200	.0	0	0	.0	0	0
Utilities and Transportation Commission	.0	0	0	.0	0	0	.0	0	0
Washington State University	1.9	575,000	575,000	2.6	820,000	820,000	2.6	820,000	820,000
Department of Ecology	.1	0	22,995	.1	0	17,248	.0	0	0
Total	**2.9**	**$757,168**	**$780,163**	**3.2**	**$964,054**	**$981,302**	**2.7**	**$829,000**	**$829,000**

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

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

http://www.ofm.wa.gov/tax/default.asp

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

** See local government fiscal note

FNPID: 43610

Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Final 2/ 4/2016

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

**   See local government fiscal note

FNPID: 43610

Individual State Agency Fiscal Note

Bill Number: 2346 HB	Title: Renewable energy promotion	Agency: 014-Joint Leg. Audit & Review Committee

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.0	0.1	0.1	0.2	0.1
Account					
General Fund-State 001-1	0	12,000	12,000	53,800	9,000
Total $	0	12,000	12,000	53,800	9,000

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

http://www.ofm.wa.gov/tax/default.asp

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:	Jasmine Vasavada	Phone: 360-786-7301	Date: 01/06/2016
Agency Preparation:	Dana Lynn	Phone: 360-786-5177	Date: 01/12/2016
Agency Approval:	Keenan Konopaski	Phone: 360-786-5187	Date: 01/12/2016
OFM Review:	Derek Rutter	Phone: (360) 902-0409	Date: 01/14/2016

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.

In brief the bill:
- Modifies and extends the expiration dates of the existing renewable energy investment cost recovery incentive program, with the stated intent to increase the effectiveness of the existing program by reducing the maximum incentive rates over the period of the program and broadening participation by lower income persons and others.
- States the Legislature intends the revised program to promote system installations through 2020, after which time the state's renewable energy industry is expected to be capable of sustained growth and vitality without the cost recovery program.
- Increases the amount of PUT credits allowed to light and power businesses for incentive payments they make from ½% to 2% of the businesses' taxable power sales generated in CY 2014 and or $250,000 (increased from $100,000), whichever is greater
- Includes a tax preference performance statement directing JLARC, as part of its tax preference review process, to evaluate the incentives and preference.
- Establishes a new system for decommissioning and recycling solar modules.
- Moves the expiration date earlier— to June 30, 2016—for a sales and use tax exemption for certain machinery and equipment used directly to generate electricity from solar energy producing no more than 500 KW of electricity and associated labor and services to install such machinery and equipment (RCWs 82.08.962; 82.12.962).
- Moves the expiration date earlier— to June 30, 2016—for a second sales and use tax exemption for certain machinery and equipment used directly to generate electricity from solar energy and associated labor and services to install such machinery and equipment (RCWs 82.08.963; 82.12.963).

Incentive payments made by utilities to customers
Sec. 3: The bill extends the expiration date of the investment cost recovery incentive provided under RCW 82.16.120 to June 30, 2020, and ends eligibility for first time application for the incentive after June 30, 2016. The bill details rates for credits that are applicable if requests as of June 30, 2015, are either below the amount authorized under RCW 82.16.120 or exceed the amount.

Beginning July 1, 2016, WSU energy will take over program management, technical review, and tracking responsibilities from the Department of Revenue.

The expiration date for the right to earn credits under RCW 82.16.120 is extended from June 30, 2020, to June 30, 2030 and the date to use those credits extended from June 30, 2021, to June 30, 2031.

Public utility tax credits for utilities making incentive payments
Sec. 4. The bill increases the amount of PUT credits allowed to light and power businesses for incentive payments they make from ½% to 2% of the businesses' taxable power sales generated in CY 2014 and or $250,000 (increased from $100,000), whichever is greater. The 5% limit for the percent of payment to company owned community solar projects is removed.

Sec. 6: Beginning July 1, 2016, customer-owners of a class A or class B renewable energy system or a nonprofit organization or utility that administers a community solar project meeting certain eligibility requirements can apply to WSU energy to receive certification to remit an annual production incentive for electricity generated by a renewable energy system.

WSU energy may authorize annual incentive payments up to: $5,000 per project participant for community solar projects; and $25,000 for class B systems. To receive such payments, persons must submit an application to WSU energy, including specific information detailed in the bill. Certification is valid for 10 years.

WSU energy must determine the total incentive rate for a new renewable energy system certifications which include base and bonus rates depending on the type of system. This changes in 2017. For new systems certified after 2017, the rates certified must decline as detailed in the bill.

Other
Sec. 7: The bill adds a new section to RCW 82.16 to allow a utility or nonprofit organization to organize and administer a community solar program. Details on requirements for such programs are detailed in the bill.

Sec. 8: The bill creates a new solar module decommissioning and recycling program.

Sec. 9 & 11: The bill changes the expiration date from June 30, 2020, to June 30, 2016, for a sales and use tax exemption for certain machinery and equipment used directly to generate electricity from solar energy producing no more than 500 KW of electricity and associated labor and services to install such machinery and equipment (RCWs 82.08.962; 82.12.962).

Sec 10 & 12: The bill changes the expiration date from June 30, 2018, to June 30, 2016, for a second sales and use tax exemption for certain machinery and equipment used directly to generate electricity from solar energy and associated labor and services to install such machinery and equipment (RCWs 82.08.963; 82.12.963).

The bill has an emergency clause and takes effect immediately.

Tax performance statement details
The bill includes a tax performance statement that:
- Categorizes the preference as one intended to induce a certain behavior by taxpayers (utility companies, in this case) and to create or retain jobs (RCW 82.32.808(2)(a) and (c).
- Identifies the public policy objectives to: 1) Increase energy independence from fossil fuels; 2) Promote economic development through clean energy technology; and 3) Increase the number of jobs in and enhance the sustainability of clean energy technology in Washington.

The bill instructs JLARC to review the incentives and tax preference as part of its tax preference performance reviews in 2019. The Legislature intends the Legislative Auditor to determine the incentive has achieved its desired outcomes if the following objectives are achieved:
1. 200 megawatts of solar photovoltaic capacity is installed by 2020; and
2. There is growth in solar-related employment from 2015 levels, evidenced by:
a. An increased per capita rate of solar energy-related jobs in WA, to be determined by a relevant trade association in WA.
b. Improved national ranking for solar energy-related employment and per capita solar energy-related employment, as reported in a nationally recognized report.

JLARC is instructed to obtain data needed to perform this review from the WSU energy program and the Employment Security Department. The bill instructs all recipients of tax credits or incentive payments to provide any data requested by the WSU energy program or JLARC for reporting purposes. If they fail to do so, they may lose the following year's tax credit or incentive payment.

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.

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.

JLARC staff will contact the WSU energy program, the Department of Revenue, and the Employment Security Department immediately after passage of the bill to ensure data collection methods were implemented to gather various data and detail required for its 2019 report. JLARC staff would also work with these agencies to establish a 2015 baseline from which to evaluate performance of the incentive. Also, JLARC would identify and review other data sources mentioned in the bill such as a relevant trade association and nationally ranked report to ensure the detail is available and collected. JLARC staff would ensure that the data necessary to conduct the 2019 review is annually collected.

The tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews in 2019. JLARC will assess all of the tax preference reviews mandated in the 2016 legislative session. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing.

This audit will require an estimated 5 audit months.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years		0.1	0.1	0.2	0.1
A-Salaries and Wages		7,900	7,900	35,500	5,900
B-Employee Benefits		2,500	2,500	11,200	1,900
C-Professional Service Contracts					
E-Goods and Other Services		1,400	1,400	6,400	1,100
G-Travel		200	200	700	100
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	$0	$12,000	$12,000	$53,800	$9,000

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 2016	FY 2017	2015-17	2017-19	2019-21
Research Analyst	87,219		0.1	0.1	0.2	0.1
Support staff	62,202				0.1	
Total FTE's	149,421		0.1	0.1	0.2	0.1

Part IV: Capital Budget Impact

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

Bill Number: 2346 HB	**Title:** Renewable energy promotion	**Agency:** 103-Department of Commerce

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

		FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years		0.1	0.2	0.2	0.3	0.0
Account						
General Fund-State	001-1	18,323	36,645	54,968	90,254	0
	Total $	18,323	36,645	54,968	90,254	0

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

http://www.ofm.wa.gov/tax/default.asp

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:

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☐ 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:	Jasmine Vasavada	Phone: 360-786-7301	Date: 01/06/2016
Agency Preparation:	Carolee Sharp	Phone: (360) 725-3118	Date: 01/11/2016
Agency Approval:	Tony Usibelli	Phone: 360-725-3110	Date: 01/11/2016
OFM Review:	Shane Hamlin	Phone: (360) 902-0547	Date: 01/11/2016

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.

Section 6(15) requires the Department of Commerce to provide assistance to the Washington State University extension energy program, to develop technical specifications and guidelines to ensure consistent and predictable determination of eligibility for renewable energy systems (which include solar units, wind turbines, stirling converters and anaerobic digesters).

Section 6(28)(a) requires Commerce to report to the legislature by December 1, 2018, the actual or estimated cost of class A, class B, and community solar systems, including system components and installation costs, for the previous fiscal quarter.

Section 6(28)(b) requires Commerce, based in part on the data provided in subsection (28)(a), to estimate incentive rates to replace the rates under section 6(11)(b) of this act for new system certifications beginning January 1, 2019, with rates that are expected to result in a ten-year payback of the system component and installation costs to the customer-owner or community solar project participant.

Section 13 declares an emergency and makes the bill take effect immediately.

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.

None

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.

Section 6(15)

ASSUMPTIONS: Commerce assumes that the Washington State University extension energy program would be designated as the program administrator for this activity and there will be a series of meetings to develop technical specifications and guidelines beginning before July, 2016, and extending into FY17.

FTE Salaries and Wages

Commerce estimates 0.1 FTE EMS Band 2 (Senior Energy Policy Specialist) in FY16 and 0.2 FTE EMS Band 2 (Senior Energy Policy Specialist) in FY17 to help develop technical specifications and guidelines to ensure consistent and predictable determination of eligibility.

FY16: $12,973
FY17: $25,947

Goods and Other Services

FY16: $5,350

--standard G&S $4,626
--space and utilities $724

FY16: $10,698
--standard G&S $9,250
--space and utilities $1,448

Note: Standard goods and services costs include supplies and materials, employee development and training, mandatory state seat of government and Department of Enterprise Services charges, and Commerce agency administration. Commerce administration provides general governmental services including, but not limited to: administration, management, financial services, human resources, information technology, facilities management, public affairs and Interagency Payments. The department is in the process of seeking federal approval for a revised indirect rate for the cost allocation of administrative costs. If approved, the department intends to use the same rates and basis for allocating administrative costs for state grant programs. The cost estimate in this fiscal note represents the currently approved indirect rate and is subject to change.

Section 6(28)(a)

FTE Salaries and Wages

Commerce estimates 0.1 FTE EMS Band 2 (Senior Energy Policy Specialist) in FY18 to collect data actual or estimated cost data for class A, class B, and community solar systems, including system components and installation costs between January 1, 2018, and June 30, 2018, and 0.1 FTE EMS Band 2 (Senior Energy Policy Specialist) and 0.1 FTE Administrative Assistant 2 in FY19 to develop and produce a report to the Legislature on those actual or estimated costs by December 1, 2018.

FY18: $12,973
FY19: $18,666

Goods and Other Services

FY18: $5,350
--standard G&S $4,626
--space and utilities $724

FY19: $8,138
--standard G&S $6,690
--space and utilities $1,448

Section 6(28)(b)

FTE Salaries and Wages

Commerce estimates 0.2 FTE EMS Band 2 (Senior Energy Policy Specialist) and 0.1 FTE Administrative Assistant 2 in FY19 to estimate incentive rates to replace the rates under section 6(11)(b) of this act for new system certifications beginning January 1, 2019, with rates that are expected to result in a ten-year payback of the system component and installation costs to the customer-owner or community solar project participant.

FY19: $31,640

Goods and Other Services

FY18: $13,487
--standard G&S $11,316
--space and utilities $2,171

====================

Summary of Estimated Costs

FY16: $18,323
FY17: $36,645
FY18: $18,323
FY19: $71,931

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.1	0.2	0.2	0.3	
A-Salaries and Wages	9,980	19,961	29,941	47,629	
B-Employee Benefits	2,993	5,986	8,979	15,650	
C-Professional Service Contracts					
E-Goods and Other Services	5,350	10,698	16,048	26,975	
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	$18,323	$36,645	$54,968	$90,254	$0

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 2016	FY 2017	2015-17	2017-19	2019-21
Administrative Assistant 2	38,544				0.1	
Administrative Services - Indirect	69,552	0.0	0.0	0.0	0.0	
EMS Band 2	99,804	0.1	0.2	0.2	0.2	
Total FTE's	207,900	0.1	0.2	0.2	0.3	0.0

III. C - Expenditures By Program (optional)

Program	FY 2016	FY 2017	2015-17	2017-19	2019-21
Agency Administration (Indirect) (100)	4,541	9,081	13,622	22,148	
Energy (500)	13,782	27,564	41,346	68,106	
Total $	18,323	36,645	54,968	90,254	

Part IV: Capital Budget Impact

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.

None

Department of Revenue Fiscal Note

Bill Number: 2346 HB	Title: Renewable energy promotion	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Account	FY 2016	FY 2017	2015-17	2017-19	2019-21
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax		3,691,000	3,691,000	3,007,000	60,000
GF-STATE-State 01 - Taxes 35 - Public Utilities Tax		(747,000)	(747,000)	(16,003,000)	(49,470,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		6,000	6,000	5,000	
Total $		2,950,000	2,950,000	(12,991,000)	(49,410,000)

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.8	0.4	0.6		
Account					
GF-STATE-State 001-1	80,400	34,800	115,200		
Total $	80,400	34,800	115,200		

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

http://www.ofm.wa.gov/tax/default.asp

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).
- [ ] Capital budget impact, complete Part IV.
- [ ] Requires new rule making, complete Part V.

Legislative Contact:	Jasmine Vasavada	Phone: 360-786-7301	Date: 01/06/2016
Agency Preparation:	Marianne McIntosh	Phone: 360-535-1505	Date: 01/11/2016
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 01/11/2016
OFM Review:	Kathy Cody	Phone: (360) 902-9822	Date: 01/12/2016

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.

This fiscal note reflects HB 2346 and only addresses the sections of the bill that impact the Department of Revenue (Department). These sections:

- Close the existing renewable energy investment cost recovery incentive program to new participants, after June 30, 2016. Participants in the existing program may continue to earn annual incentive payments through June 30, 2020. All responsibilities for administering the existing program are transferred from the Department to the Washington State University Energy Extension Program (WSU), beginning July 1, 2016.

- Allow WSU to certify, beginning July 1, 2016, and ending June 30, 2020, new participants to receive 10 years of annual incentive payments. For systems certified in Fiscal Year 2017, base rates for incentive payments are $0.22 per kilowatt-hour (kW-hr) for Class A systems, $0.18 per kW-hr for Class B systems, and $0.32 kW-hr for community solar systems, with a made-in-Washington bonus rate of $0.10 per kW-hr. These rates decline each fiscal year by $0.02 per kW-hr through Fiscal Year 2020. Incentive payments to community solar project participants may only account for up to 25 percent of the total allowable credit in any fiscal year.

- Extend the public utility tax credit to incentive payments made under the newly created program. The per-utility limit is increased to the greater of 2 percent of a utility's Calendar Year 2014 taxable power sales or $250,000.

- Provide that information about incentive payments, system certifications, and total tax credit claimed is subject to disclosure and not confidential taxpayer information.

- Set expiration dates of June 30, 2016, for sales and use tax exemptions provided by RCW 82.08.962, 82.12.962, 82.08.963, and 82.12.963 for machinery and equipment used to generate electricity using solar energy, or labor and services rendered in respect to installing such machinery and equipment, and capable of generating no more than 500 kW of electricity.

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.

ASSUMPTIONS
- The Public Utility Tax credit on a new installation is taken the fiscal year following the fiscal year in which the system was installed.
- To adjust for systems installed throughout a fiscal year, 50 percent of the projected installed megawatts was utilized to calculate the payments paid immediately after the fiscal year in which the system was installed.
- The average size of a solar installation is assumed to be 7 kW.
- The average production rate is assumed to 1038 kWh per kW of installed capacity for residential and 1153 kWh per kW for non-residential.
- The mix of system type and size is projected by comparing the financial payback given the specific incentive rates proposed in the legislation.
- The estimate reflects per utility caps on tax credits for current law, but not for the proposed law. It is assumed the new caps will not be reached with the increased credit thresholds.
- As of June 30, 2015, the number of utilities that have reached the credit cap is minimal and therefore the impact for the option for light and power businesses to continue the prorate rates mentioned in section 4 is not considered.
- The estimate does not reflect the caps on the annual incentive payments for the class A and B systems and community solar projects.

- Beginning July 1, 2017, the cap is increased under this proposal. This allows utilities who met the cap under current law to increase the payments and therefore credits on systems installed prior to June 30, 2016.
- No projection for sales of systems greater than 500kW as currently there are no systems that large.
- Small wind power installation will continue at the same level as the past ten years.
- Under this proposal it is expected that the installation of new solar energy systems will reach 146 MW by the end of Fiscal Year 2020.
- Growth rate mirrors Economic Revenue and Forecast Council's November 2015 forecast for the electric power sales public utility tax.
-This legislation takes effect immediately and is effective March 29, 2016.

DATA SOURCES
- Department's excise tax return data
- Washington Department of Commerce forecast for solar system installations
- Washington State University Energy Program
- Economic Revenue and Forecast Council - 2015 November forecast

REVENUE ESTIMATES
Public Utility Tax Credit (PUT)
Participants in the current program will continue to receive production payments at the rates in the current program, and utilities will be able to claim a state public utility tax credit on their tax return for those payments. Beginning July 1, 2016, a utility is allowed a credit equal to incentive payments made in any fiscal year under section 4 and 6.

Projected Costs Savings if legacy solar incentive program expires June 30, 2016 (cash basis, $000):

FY 2016 -	$ 0
FY 2017 -	$ 0
FY 2018 -	$ 1,814
FY 2019 -	$ 4,268
FY 2020 -	$ 6,132
FY 2021 -	$ 7,553

Projected Costs of Proposed cap increase per utility for systems installed under legacy solar incentive program (cash basis, $000):

FY 2016 -	$ 0
FY 2017 -	($ 747)
FY 2018 -	($ 1,897)
FY 2019 -	($ 1,646)
FY 2020 -	($ 1,402)
FY 2021 -	($ 1,146)

Projected Costs of Proposed Solar Program (cash basis, $000):

FY 2016 -	$ 0
FY 2017 -	$ 0
FY 2018 -	($ 4,514)
FY 2019 -	($ 14,028)
FY 2020 -	($ 24,554)
FY 2021 -	($ 36,053)

Net projected PUT credits (cash basis, $000):

FY 2016 -	$ 0
FY 2017 -	($ 747)
FY 2018 -	($ 4,597)
FY 2019 -	($ 11,406)
FY 2020 -	($ 19,824)
FY 2021 -	($ 29,646)

Retail Sales Tax
Repeal of Sales Tax Exemption for solar installations effective June 30, 2016 (cash basis, $000):

FY 2016 -	$ 0
FY 2017 -	$ 3,691
FY 2018 -	$ 2,869
FY 2019 -	$ 138
FY 2020 -	$ 60
FY 2021 -	$ 0

TOTAL REVENUE IMPACT:
The net impact of this proposal is to increase state revenues by $3.0 million in the 2015-17 Biennium and decrease state revenues by $13.0 million in the 2017-19 Biennium.

This proposal also increases local revenues by $1.4 million in the 2015-17 Biennium and by $1.1 million in the 2017-19 Biennium.

State Government (cash basis, $000):

FY 2016 -	$ 0
FY 2017 -	$ 2,950
FY 2018 -	($ 1,723)
FY 2019 -	($ 11,268)
FY 2020 -	($ 19,764)
FY 2021 -	($ 29,646)

Local Government, if applicable (cash basis, $000):

FY 2016 -	$ 0
FY 2017 -	$ 1,365
FY 2018 -	$ 1,061
FY 2019 -	$ 51
FY 2020 -	$ 22
FY 2021 -	$ 0

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:
- This bill affects 60 taxpayers.
- The Department will transfer the certification process to Washington State University Energy Program
- The Department may disclose the amount claimed by a taxpayer under this new tax preference.
- A taxpayer claiming this new tax preference must file an annual survey (RCW 82.32.808).

FIRST YEAR COSTS:
The Department will incur total costs of $80,400 in Fiscal Year 2016. These costs include:

Labor Costs – Time and effort equates to 0.76 FTEs.
- Amend administrative rules,
- Set-up, program and test system changes,
- Create a special notice and update web content,
- Test new codes and processes, and
- Communicate and assist taxpayer with system changes.

Object Costs - $5,900.
- Printing and postage of a Special Notice

SECOND YEAR COSTS:
The Department will incur total costs of $34,800 in Fiscal Year 2017. These costs include:

Labor Costs – Time and effort equates to 0.4 FTEs.
- Print and mail a special notice to affected taxpayers who do not file tax returns electronically, and
- Communicate and assist taxpayer with system changes

ONGOING COSTS:
The Department will not incur any ongoing costs with the implementation of this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.8	0.4	0.6		
A-Salaries and Wages	46,300	22,600	68,900		
B-Employee Benefits	13,900	6,800	20,700		
E-Goods and Other Services	15,300	4,700	20,000		
J-Capital Outlays	4,900	700	5,600		
Total $	$80,400	$34,800	$115,200		

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 2016	FY 2017	2015-17	2017-19	2019-21
ADM ASST 5	48,432	0.0		0.0		
EMS BAND 4	107,000	0.0		0.0		
EMS BAND 5	125,000	0.0		0.0		
EXCISE TAX EX 4	57,516	0.1	0.1	0.1		
HEARINGS SCHEDULER	33,672	0.0		0.0		
IT SPEC 5	71,844	0.2		0.1		
TAX INFO SPEC 4	56,136	0.3	0.3	0.3		
TAX POLICY SP 2	63,480	0.0		0.0		
TAX POLICY SP 3	71,844	0.1		0.0		
TAX POLICY SP 4	77,340	0.0		0.0		
Total FTE's	712,264	0.8	0.4	0.6		

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.

Persons affected by this rule-making would include: solar energy system owners, including individual home owners, businesses, and local governmental entitities not in the light and power business; utilities; and community solar projects. Should this legislation become law, the Department will use the standard rule-making process to amend one rule: WAC 458-20-273, titled: "Renewable enrgy system cost recovery" and use one expedited process to amend two rules; WAC 458-20-263 "Exemptions from retail sales and use taxes for qualifying electric generating and thermal heat producing systems using renewable energy sources" and WAC 458-20-268 "Annual surveys for certain tax adjustments".

Individual State Agency Fiscal Note

Bill Number: 2346 HB	Title: Renewable energy promotion	Agency: 215-Utilities and Transportation Comm

Part I: Estimates

☒ **No Fiscal Impact**

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

http://www.ofm.wa.gov/tax/default.asp

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:	Jasmine Vasavada	Phone: 360-786-7301	Date: 01/06/2016
Agency Preparation:	Melissa Hamilton	Phone: 360 664-1158	Date: 02/04/2016
Agency Approval:	Sondra Walsh	Phone: 360-664-1286	Date: 02/04/2016
OFM Review:	Kathy Cody	Phone: (360) 902-9822	Date: 02/04/2016

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.

HB 2346 has no fiscal impact on the UTC because it does not change utilities' participation in the renewable energy cost recovery incentive program. Investor-owned electric utilities have existing tariffs in place to provide the cost recovery incentive program to customers that own eligible renewable energy systems. Sec. 6(11)(b) of the bill provides new rates for new system certifications after fiscal year 2017. Investor-owned utilities will need to update their existing tariffs with these new incentive rates. However, these simple tariff filings are part of the UTC's normal course of business, and therefore have no fiscal impact.

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.

No cash receipts.

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.

No Expenditure Impact.

Part III: Expenditure Detail

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.

None.

Individual State Agency Fiscal Note

Bill Number: 2346 HB	Title: Renewable energy promotion	Agency: 365-Washington State University

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.9	2.9	1.9	2.6	2.6
Account					
General Fund-State 001-1	115,000	460,000	575,000	820,000	820,000
Total $	115,000	460,000	575,000	820,000	820,000

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

http://www.ofm.wa.gov/tax/default.asp

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:	Jasmine Vasavada	Phone: 360-786-7301	Date: 01/06/2016
Agency Preparation:	Chris Jones	Phone: 509-335-9682	Date: 01/12/2016
Agency Approval:	Kelley Westhoff	Phone: 5093350907	Date: 01/12/2016
OFM Review:	Cherie Berthon	Phone: 360-902-0659	Date: 01/12/2016

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.

In HB 2346, the current investment cost recovery incentive for renewable energy systems ends and a newly created program allows the WSU Energy Program to certify, beginning July 1, 2016 new participants to receive 10 years of annual incentive payments. The bill describes the certification requirements and states that the WSU Energy Program may collect a one-time fee per applicant.

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.

Although the bill permits the WSU Energy Program to collect a one-time fee from applicants to recover some administrative costs incurred for managing the program, cash receipts are indeterminate at this time until the number of applicants can be estimated and the fee rate is set. The amount of fees collected will not be set to cover the total operating costs for administering the program. Sec. 6.(16) allows the WSU Energy Program to assess a Made in Washington equipment certification fee to recover its costs. The cash receipt impact of the Made in Washington fee is indeterminate until WSU decides whether or not to implement the fee and what rate will be established.

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.

For purposes of this fiscal note, WSU is providing estimated costs for the WSU Energy Program to administer the solar production incentive program.

The current version of the bill contains no additional funding for the solar production incentive program, which is significantly greater in scope than the existing incentive program. WSU would not be able to complete all activities associated with the incentive program without new funding.

HB 2346 would increase the WSU Energy Program's volume of work compared to the existing energy investment cost recovery incentive program under RCW 82.16.120. The number of systems eligible for incentives have increased exponentially since the beginning of the existing program. This increase is expected to continue under the new program, leading to increased costs for the WSU Energy Program to certify new systems and administer the incentive program. The WSU Energy Program would have expenditures associated with the following activities:

Startup Activities:

•Online application setup
•Develop and publish program eligibility guidelines, procedures, and fee structure
•Develop or acquire the rights to a software tracking system to meet reporting and transparency requirements
•Review and implement process for reviewing requests by utilities for program participation or termination
•Develop publicly available website with timely program information and activity summaries
•Develop technical specifications / guidelines to determine eligibility for the Made in Washington incentive
•Establish all other administrative functions that are necessary for the program

Ongoing Activities:
•Administer program fees
•Application review
•Provide detailed customer-specific data to utilities for incentive distribution
•Communicate with applicants and respective utilities upon receipt of application
•Maintain publicly available website with timely program information
•Report on program status / recommendations to the legislature
•Continue interaction with developers, installers, manufacturers, utilities and prospective system owners
•Provide data as needed
•Provide all other administrative functions as required by the program

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.9	2.9	1.9	2.6	2.6
A-Salaries and Wages	46,000	185,000	231,000	320,000	320,000
B-Employee Benefits	25,000	100,000	125,000	170,000	170,000
C-Professional Service Contracts					
E-Goods and Other Services	44,000	175,000	219,000	330,000	330,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	$115,000	$460,000	$575,000	$820,000	$820,000

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 2016	FY 2017	2015-17	2017-19	2019-21
Application Systems Analyst	69,500	0.2	0.7	0.5	0.4	0.4
Energy Professional	40,600	0.2	0.6	0.4	0.6	0.6
Energy Program Coordinator	59,700	0.3	1.2	0.8	1.2	1.2
Manager	116,700	0.1	0.2	0.2	0.2	0.2
Senior Project Manager	82,600	0.1	0.2	0.2	0.2	0.2
Total FTE's	369,100	0.9	2.9	1.9	2.6	2.6

Part IV: Capital Budget Impact

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

Bill Number: 2346 HB	Title: Renewable energy promotion	Agency: 461-Department of Ecology

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2016	FY 2017	2015-17	2017-19	2019-21
Electronic Products Recycling Account-Non-Appropriated 11J-6				11,499	
Total $				11,499	

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.0	0.2	0.1	0.1	0.0
Account					
Electronic Products Recycling Account-Non-Appropriated 11J-6	0	0	0	11,499	0
State Toxics Control Account-State 173-1	0	22,995	22,995	5,749	0
Total $	0	22,995	22,995	17,248	0

Estimated Capital Budget Impact:

NONE

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). A fiscal analysis was prepared to show the projected ten-year cost to tax or fee payers of the proposed taxes or fees. The ten-year projection can be viewed at

http://www.ofm.wa.gov/tax/default.asp

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:	Jasmine Vasavada	Phone: 360-786-7301	Date: 01/06/2016
Agency Preparation:	My-Hanh Mai	Phone: 360-407-6996	Date: 01/11/2016
Agency Approval:	Erik Fairchild	Phone: 360-407-7005	Date: 01/11/2016
OFM Review:	Linda Steinmann	Phone: 360-902-0573	Date: 01/12/2016

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.

House bill 2346 would modify renewable energy system tax incentives and provide guidance for renewable energy system component recycling.

Under current law, solar module manufacturers are eligible for certain incentives.

Section 8 would amend 70.95N RCW, the electronic product recycling law, to add the solar modules decommissioning and recycling program to be financed by these manufacturers.
Participation in the recycling program is assumed to be voluntary. In order to be eligible for the incentive payments in section 6 of this bill, a manufacturer of a solar module would have to be registered as a participant in the recycling program.

Section 8(2) would require the Department of Ecology (Ecology) to provide guidance for solar module manufacturers on an effective, self-directed solar module collection and recycling program.

Section 8(3) would require Ecology to review and approve or disapprove any solar module collection and recycling program plans submitted by a manufacturer as outlined in subsection 8(3)(a)(b).

Section 8(4) would authorize incentive payments for a solar energy system beginning January 1, 2019, only if the manufacturer of the solar module has submitted an approved collection and recycling plan to Ecology.

Section 8(5) would require Ecology to establish and implement a process to provide guidance and plan review and approval described in subsections (2),(3), and (4) by February 1, 2017. Ecology would be required to expedite review and approval of any previously filed plans if one should be submitted prior to the adoption of the process.

Section 8(6) would authorize Ecology to collect a fee from manufacturers for the plan review and approval process following a prescribed formula.

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 8 (6) would authorize Ecology to establish a fee to cover the administration costs of the plan review and approval process. The fee is based on the following formula: Department administrative costs divided by the manufacturer's pro rata share of the Washington state solar module sales in the most recent preceding calendar year.

According to the Washington State University Energy Extension program (WSU), there are only five solar module manufacturers who currently apply for the incentive payments. Upon consultation with WSU, Ecology assumes three manufacturers would participate in the recycling program.

Expenditures in FY17 and FY18 would be from the State Toxics Control Account (STCA) because the timing for the cash receipts for plan review and approval would not coincide with when Ecology would incur the costs. STCA is an eligible fund source under the budget activity A009, Eliminate Waste and Promote Material Reuse.

Beginning in FY19, and every fourth year thereafter, revenue and expenditures would be in the Electronic Products Recycling Account (11J). This account is appropriate and is the best fit because the new responsibilities would be added to 70.95N RCW, and Account 11J is specified for fulfilling Department responsibilities under this chapter.

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.

Section 8 would amend 70.95N RCW, the electronic product recycling law, to add the decommissioning and recycling program of solar modules to be financed by manufacturers who participate in the state's renewable energy incentive program.

Section 8(2) would require the Ecology to provide guidance for solar module manufacturers on an effective, self-directed solar module collection and recycling program by February 1, 2017. Ecology estimates 0.10 FTE of an Environmental Specialist 5 (ES-5) would be required to research, develop, and write guidance for this new solar module recycling program in FY17. The guidance would include plan requirements, submittal frequency, and billing timeline.

Sections 8(3)(4) would require Ecology to review and approve or disapprove any solar module collection and recycling program plans submitted by a manufacturer as outlined in subsection 8(3)(a)(b). Ecology assumes establishing a plan review and approval process would be necessary in order to fulfill this requirement by February 1, 2017. Ecology estimates 0.10 FTE of an ES-5 would be required to develop guidance on the review and approval process to ensure that the manufacturer's plan meets the requirements in subsection (3) in FY17. This would involve consultations with WSU.

Beginning January 1, 2019, a manufacturer of the solar module would be required to submit a collection and recycling plan to Ecology in order to receive incentive payments for a solar energy system. Upon consultation with WSU, Ecology assumes three manufacturers would participate in the recycling program, and these manufacturers would submit two plans to Ecology by July 1, 2018 (FY19). Ecology estimates 0.10 FTE of an ES-5 would be required to review and approve the manufacturer's plans in FY19 and once every four years thereafter. This assumes the guidance would require each solar module manufacturer to submit an updated plan to Ecology once every four years.

Section 8(5) would require Ecology to establish and implement a process to provide guidance and plan review and approval described in subsections (2),(3), and (4) by February 1, 2017. Furthermore, Ecology would be required to consult with manufacturers that may file a plan before Ecology adopts the guidance, and review and approval process. Ecology would be required to expedite review and approval of their plans. Ecology assumes one expedited plan would be submitted for review and approval, and estimates this effort would require 0.05 FTE of an ES-5 in FY18.

Section 8(6) would authorize Ecology to collect a fee from manufacturers for the plan review and approval process. Since the fee would be based on a specific formula in subsection (6), Ecology would not need to do rulemaking to establish the fee. However, Ecology assumes it's necessary to develop guidance on how the agency would collect the fee in proper time to avoid confusion and delays during implementation. Ecology assumes this section would be rolled into the developing guidance and review and approval process as required in subsections (2) and (3); therefore, no additional resources are required.

Ecology further assumes that the legislative intent is to establish an effective, self-directed solar module collection and recycling program; thus, Ecology would not be required to provide program oversight. This act would not provide Ecology with program oversight authority.

Revenue and expenditures would be in the Electronic Products Recycling Account (11J). This account is appropriate and is the best fit because the new responsibilities would be added to 70.95N RCW, and Account 11J is specified for fulfilling Department responsibilities under this chapter.

Notes on costs by object:

Salary estimates are current actual rates at step H, the agency average for new hires.
Benefits are the agency average of 35.5% of salaries.
Goods and Services are the agency average of $4,008 per direct program FTE.
Travel is the agency average of $2,227 per direct program FTE.
Equipment is the agency average of $1,041 per direct program FTE.
Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 26.1% 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 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years		0.2	0.1	0.1	
A-Salaries and Wages		12,607	12,607	9,456	
B-Employee Benefits		4,475	4,475	3,357	
E-Goods and Other Services		802	802	601	
G-Travel		445	445	334	
J-Capital Outlays		208	208	156	
9-Agency Administrative Overhead		4,458	4,458	3,344	
Total:	$0	$22,995	$22,995	$17,248	$0

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 2016	FY 2017	2015-17	2017-19	2019-21
ENVIRONMENTAL SPECIALIST	63,035		0.2	0.1	0.1	
5 FISCAL ANALYST 2			0.0	0.0	0.0	
IT SPECIALIST 2			0.0	0.0	0.0	
Total FTE's	63,035		0.2	0.1	0.1	0.0

Part IV: Capital Budget Impact

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.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2346 HB	Title: Renewable energy promotion

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

Legislation Impacts:

- [X] Cities: Increased revenue due to repeal of retail sales tax in certain years; participating cities will have to pay an application fee to remain in the renewable energy cost recovery program
- [X] Counties: Same as cities
- [X] Special Districts: Increased revenue due to repeal of retail sales tax in certain years
- [X] Specific jurisdictions only: Public utility districts (PUDs) would receive an increase in public utility tax credits; decreased administrative costs associated with calculating cost recovery incentive payments
- [X] Variance occurs due to: PUDs that organize and administer community solar programs must publish procedures and may charge a fee

Part II: Estimates

- [ ] No fiscal impacts.
- [X] Expenditures represent one-time costs: Application fee for 10-year certifications through the Washington State University (WSU) Energy Extension Program
- [X] Legislation provides local option: PUDs can choose to calculate the amount of incentive payments to participants
- [X] Key variables cannot be estimated with certainty at this time: Number of new or expanded renewable energy systems, community solar projects and programs, and resulting applications for certification of the public utility tax credit; number of new interconnection agreements with public utilities

Estimated revenue impacts to:

Jurisdiction	FY 2016	FY 2017	2015-17	2017-19	2019-21
City		442,973	442,973	360,869	7,139
County		462,432	462,432	376,721	7,453
Special District		445,946	445,946	363,291	7,187
TOTAL $		1,351,351	1,351,351	1,100,881	21,779
GRAND TOTAL $					2,474,011

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Amber Siefer	Phone: 360-725-2733	Date: 01/11/2016
Leg. Committee Contact: Jasmine Vasavada	Phone: 360-786-7301	Date: 01/06/2016
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 01/11/2016
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 01/12/2016

Part IV: Analysis

A. SUMMARY OF BILL

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

Extends and increases the public utility tax credit to PUDs and suspends sales and use tax exemptions for purchases of machinery and equipment used in renewable energy systems, so that investment cost recovery payments may be increased to individuals, businesses, participants in community solar projects, and local governments not in the light and power or gas distribution business, that install and operate solar energy systems.

SECTIONS WITH LOCAL GOVERNMENT IMPACT:

New Section 2 All recipients of the tax credits or incentive payments must provide data requested by the Washington State University extension energy program.

Section 3 Local governments not in the light and power business or in the gas distribution business may apply for an investment cost recovery incentive payment for each kilowatt-hour from a customer-generated electricity renewable energy system through June 30, 2020. First time applications for the incentive must be submitted no later than June 30, 2016. Utilities must reduce the incentive payments proportionally if the requests for the incentive exceed the amount of funds available for the credit. System certifications and information contained therein are not confidential.

Section 4 Increases tax credits available to public utilities from 0.5 to 2 percent of the business' taxable power sales generated in calendar year 2014 or $250,000, whichever is greater. And extends the right to earn tax credits by 10 years, to expire June 30, 2030. The amount of tax credits taken is not considered confidential taxpayer information.

Section 6 Utility participation is voluntary, and must elect for participation in the program in writing to the Washington State University Extension Energy Program. Tax incentives for community solar projects are limited to $5,000. Certification is valid for 10 years. Not more than 25 percent of the total renewable energy tax credit may be authorized for community solar projects, nor if it is likely to result in incentive payments exceeding the utility's available funds for credit. Utilities must report annually the amount of gross kilowatt-hours generated by each renewable energy system since. Utilities may opt to calculate the amount of the incentive payment due to each participant, and must report this information to the Washington State University extension energy program. Utilities must issue the incentive payment within 30 days.

New Section 7 Authorizes utilities and nonprofit organizations to organize and administer community solar programs. Each program must establish and publish procedures. A fee may be established to cover program costs.

Sections 9 through 12 Remove retail sales and use tax exemptions provided for the purchase of machinery and equipment used in generating renewable energies for generating electricity or producing thermal heat, expiring January 1, 2020 for sections 9 and 11, and June 30, 2018 for sections 10 and 12.

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.

This bill would decrease public utility districts' administrative costs associated with calculating the cost recovery investment payment by an indeterminate but potentially significant amount, according to the Washington Public Utilities District Association (WPUDA). The total number of PUDs are unknown that would choose to calculate cost recovery payments for their customers, and then remit such data to the Washington State University (WSU) Extension Energy Program.

Applications for certification of the public utility tax credit would be managed by WSU, who will charge an application fee to cover program costs. The fee amount is unknown. Currently, the Department of Revenue does not charge an application fee. WSU expects that all utilities will be asked to recommit to the program, therefore, the fee would represent a one-time cost to all participating utilities. A fee will not be charged in the case of community solar projects.

The total number of new interconnection agreements that would occur as a result of this bill are unknown. Utilities typically recover interconnection costs in the normal course of business, and any new agreements would not represent a significant cost increase (WPUDA).

The bill requires public utilities to report the gross kilowatt hours (kWh) generated annually. WSU will work with utilities to identify data that should be captured on each installation as it is initiated, and therefore, costs associated with this data collection are unknown at this time.

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.

The Department of Revenue calculates revenue impacts to local governments based upon the repeal of retail sales tax under this bill using an average of 2.4 percent.

METHODOLOGY:
The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2014. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. This results in a distribution of 34.22 percent to counties, 32.78 percent to cities, and 33.00 percent to special districts. The 1 percent DOR administrative fee has also been deducted.

It is unknown how many new local governments would choose to invest in the ownership of renewable energy systems as a result of this bill. Local governments that are customers of utilities currently qualify as one customer for the cost recovery payment with a limit of $5,000.

According to information published by the Department of Revenue for the Renewable Energy Cost Recovery Program, the numbers of utilities and tax credits claimed has steadily increased since 2006. In Calendar Year 2013, $3,831,735 in tax credits were claimed by 34 utilities. Total taxable sales in Fiscal Year 2015 were $5,957,354,691 with a total credit cap amount of $30,537,555 (DOR). Total taxable power sales by owners of renewable energy systems is proprietary data.

RESOURCES:
Department of Revenue Fiscal Note
Department of Revenue Local Tax Distributions
Department of Revenue Renewable Energy Cost Recovery Program information
Washington Public Utilities District Association Energy Services Director
Washington State University energy extension program
Washington State Energy Office
HB 2346 Bill Digest (2016)