Multiple Agency Fiscal Note Summary

Bill Number: 5126 SB	**Title:** Climate commitment act

Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of Attorney General	0	0	120,000	0	0	120,000	0	0	120,000
Department of Revenue	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Ecology	0	0	255,652,558	0	0	1,049,474,120	0	0	1,372,256,667
Total $	**0**	**0**	**255,772,558**	**0**	**0**	**1,049,594,120**	**0**	**0**	**1,372,376,667**

Agency Name	2021-23		2023-25		2025-27	
	GF- State	Total	GF- State	Total	GF- State	Total
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 Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of the Governor	.3	350,000	350,000	350,000	1.0	0	0	308,704	1.0	0	0	295,904
Office of Attorney General	.4	0	0	120,000	.4	0	0	120,000	.4	0	0	120,000
Department of Commerce	.1	45,854	45,854	45,854	.0	0	0	0	.0	0	0	0
Department of Revenue	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Utilities and Transportation Commission	.1	0	0	35,724	.0	0	0	0	.1	0	0	37,533
Department of Health	.0	0	0	0	.0	0	0	0	.0	0	0	0
University of Washington	.0	1,794,206	1,794,206	1,794,206	.0	3,423,779	3,423,779	3,423,779	.0	3,361,897	3,361,897	3,361,897
Washington State University	.3	1,717,614	1,717,614	1,717,614	.5	3,800,149	3,800,149	3,800,149	.5	4,351,919	4,351,919	4,351,919
Department of Ecology	38.0	0	0	13,690,385	39.2	0	0	13,175,340	38.2	0	0	12,500,167
Environmental and Land Use Hearings Office	.0	0	0	0	.5	186,000	186,000	186,000	.5	186,000	186,000	186,000
Total $	**39.2**	**3,907,674**	**3,907,674**	**17,753,783**	**41.6**	**7,409,928**	**7,409,928**	**21,013,972**	**40.7**	**7,899,816**	**7,899,816**	**20,853,420**

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
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 Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of the Governor	.0	0	0	.0	0	0	.0	0	0
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Utilities and Transportation Commission	.0	0	0	.0	0	0	.0	0	0
Department of Health	.0	0	0	.0	0	0	.0	0	0
University of Washington	.0	0	0	.0	0	0	.0	0	0
Washington State University	.0	0	0	.0	0	0	.0	0	0
Department of Ecology	.0	0	0	.0	0	0	.0	0	0
Environmental and Land Use Hearings Office	.0	0	0	.0	0	0	.0	0	0
Total $	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
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 Breakout

Prepared by: Lisa Borkowski, OFM	Phone: (360) 902-0573	Date Published: Final 1/29/2021

Individual State Agency Fiscal Note

Bill Number: 5126 SB	Title: Climate commitment act	Agency: 075-Office of the Governor

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	0.5	0.3	1.0	1.0
Account					
General Fund-State 001-1	230,224	119,776	350,000	0	0
Climate Investment Account-State NEW-1	0	0	0	308,704	295,904
Total $	230,224	119,776	350,000	308,704	295,904

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:	Kim Cushing	Phone: (360) 786-7421	Date: 01/08/2021
Agency Preparation:	Jim Jenkins	Phone: 360-902-0403	Date: 01/15/2021
Agency Approval:	Jamie Langford	Phone: (360) 870-7766	Date: 01/15/2021
OFM Review:	Tyler Lentz	Phone: (360) 790-0055	Date: 01/19/2021

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 3:

The governor shall establish a comprehensive program to implement the state's climate commitment. The purpose of the comprehensive program is to provide accountability and authority for achieving the state's greenhouse gas limits in RCW 70A.45.020, to establish a coordinated and strategic statewide approach to climate resilience, and to build an equitable and inclusive clean energy economy. Establishes principles on which the commitment is to be based and required elements.

Section 4:

Requires the Governor's Office to convene a Climate Commitment Task Force, by July 1, 2021, consisting of a diverse representation of stakeholders, including members of overburdened communities. The Governor or the Governor's designee must chair the task force. The taskforce is a class one group under RCW 43.03.220.

The task force is to develop recommendations to the legislature on the establishment of a state comprehensive climate, energy, and resilience program, to implement the state's climate commitment, in accordance with the purpose, principles, and elements in section 3.

Preliminary recommendations by the task force must be developed by November 1, 2021 with a final report submitted to the legislature by December 1, 2021. The report must include:

1) A governance structure to achieve the desired outcomes in section 3 of this act enhancements to these governance features;

2) Reporting requirements and frequency, and other accountability measures, including mechanisms for legislative and executive oversight and any changes to existing statutory reporting requirements;

3) A formal process for coordinating across state government, with other governments, including tribal and local governments, and with key stakeholder groups, such as interagency councils, advisory boards, or expert panels;

4) The funding authorities and structures necessary to facilitate investments, including recommendations around public private partnerships;

5) Suggested duties and roles related to resilience that considers recommendations and 2020 reports on disaster resilience and climate resilience from the office of the insurance commissioner and office of financial management (OFM); and

6) Necessary changes to statutory requirements and additional authority needed to implement the state's climate commitment. Includes proposed legislation, necessary funding, and a schedule to implement the recommended comprehensive program in section 3 including any reorganization or consolidation of existing state programs or authorities.

This section expires December 31, 2022.

Section 22:

The Office of Equity shall establish an environmental justice and equity advisory panel to provide recommendations to the legislature and the governor in the development and implementation of the program established in Sections 5 through 18 and the programs funded from the climate investment account.

The Office of Equity must convene the environmental justice and equity advisory panel by January 1, 2023.

The purpose of the panel is to:

1) Provide recommendations to the legislature and the governor in the development of investment plans and funding proposals for the programs funded from the climate investment account;

2) Provide a forum to analyze policies adopted under this chapter to determine if the policies lead to improvements within overburdened communities;

3) Recommend procedures and criteria for evaluating programs, activities, or projects for review;

4) Evaluate the level of funding provided to assist vulnerable populations, low-income individuals, and impacted workers and the funding of projects and activities located within or benefiting overburdened communities;

5) Recommend environmental justice and environmental health goals for programs, activities, and projects funded from the climate investment account, and review agency annual reports on outcomes and progress toward meeting goals; and

6) Provide recommendations to implementing agencies for meaningful consultation with vulnerable populations.

The environmental justice and equity advisory panel is designated as a class one group under RCW 43.03.220. Expenses for this group must be included in costs to support and administer the program and are an allowable expense under the Climate Investment Account (Section 20(2)(a)).

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.

Section 4:

The Governor's Office would convene a Climate Commitment Task Force, by July 1, 2021. The Governor, or the Governor's designee must chair the task force. Because of the tight timeframe to complete its work it is assumed that work would begin in June 2021 to prepare for a July, 2021 task force meeting.

The Taskforce would hold five one day in person meetings in FY 22 (July, August, September, October, and November 2021). In FY 23 there would be two in person meetings to work through implementation details and to respond to the actions of the legislature.

It is assumed the task force would consist of 25 members.

• 7 State Agencies: (Governor's office, Ecology, Commerce, DNR, WSDOT, UTC, EFSEC)
• 18 non state agency participants (i.e. local government, tribes, others). It is assumed 10 of these members would be from Eastern Washington and incur additional meal and lodging costs of $250 per meeting.

A total of $24,500 is estimated for travel expense payments for nongovernmental members ($17,500 in FY 22 and $7,000 in FY 23).

Based upon Olympia lunch per diem of $20 per person, is provided for each meeting for meals and light refreshments at $500 per meeting and a total of $3,500 ($2,500 in FY22 and $1000 in FY 23).

A total of $14,000 ($2,000 per meeting) is provided for meeting space rental ($10,000 in FY 22 and $4,000 in FY 23).

In order to support the task force, the Governor's office would initiate a contract for facilitation, necessary meeting prep, and to prepare a report. It is assumed that $50,000 would be necessary for FY 2021 and $170,000 in FY 22 and $16,000 for FY 23.

Total cost for Section 4 would be $50,000 in FY 21, $230,000 in FY 22, $28,000 in FY 23.

Section 22:

The Office of Equity would convene the environmental justice and equity advisory panel by January 1, 2023.

It is assumed the panel would consist of 20 members.

- FY 23 assumes three in person meetings for January, March, and May 2023.
- FY 24 assumes four in person meetings for July, September, November 2023, and April 2024
- FY 25 and beyond assume two meetings per fiscal year.

Travel expense payments for nongovernmental members is estimated at $12,000 for FY 23, $16,000 for FY 24 and $8,000 for FY 25 and beyond.

Based upon Olympia lunch per diem of $20 per person, meeting and light refreshment ($400 per meeting) costs is provided at $1,200 for FY 23, $1,600 for FY 24 and $800 for FY 25 and beyond.

Meeting space rental cost ($2,000 per meeting) is estimated at $6,000 FY 23, for $8,000 for FY 24 and for $4,000 for FY 25 and beyond.

In order to support the panel the Governor's office would hire a full time Project Manager position beginning in January 2023. This position would support the panel, and provide facilitation and is represented as a Project Manager 1.0 FTE, with and annual salary of $80,000 plus benefits, and agency standard costs for goods and services, travel, and one time equipment costs.

In FY 23 the costs for the panel would be paid with state General Fund. Beginning in FY 24 and beyond, the Climate Investment Account is used as provided in Sec 22 (5).

** The cost analysis associated with this bill assumes that there will be minimal contract work, or other shared services required (such as payroll, HR, accounts payable, accounts receivable, IT, and facilities services). If this assumption is not accurate, then additional resources may be required to accomplish those tasks and provide the necessary support to the staff performing the work.

Total cost for Section 22 would be $92,000 in FY 23, $161,000 in FY 24, and $148,000 in FY 25 and beyond.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	230,224	119,776	350,000	0	0
NEW-1	Climate Investment Account	State	0	0	0	308,704	295,904
		Total $	230,224	119,776	350,000	308,704	295,904

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.5	0.3	1.0	1.0
A-Salaries and Wages		40,000	40,000	160,000	160,000
B-Employee Benefits		14,376	14,376	57,504	57,504
C-Professional Service Contracts	200,224	16,000	216,224		
E-Goods and Other Services	12,500	24,200	36,700	62,400	57,600
G-Travel	17,500	20,200	37,700	28,800	20,800
J-Capital Outlays		5,000	5,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	230,224	119,776	350,000	308,704	295,904

III. C - Operating FTE 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 2022	FY 2023	2021-23	2023-25	2025-27
Program Manager	80,000		0.5	0.3	1.0	1.0
Total FTEs			0.5	0.3	1.0	1.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5126 SB	Title: Climate commitment act	Agency: 100-Office of Attorney General

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Legal Services Revolving Account-State 405-1	60,000	60,000	120,000	120,000	120,000
Total $	60,000	60,000	120,000	120,000	120,000

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.4	0.4	0.4	0.4	0.4
Account					
Legal Services Revolving Account-State 405-1	60,000	60,000	120,000	120,000	120,000
Total $	60,000	60,000	120,000	120,000	120,000

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:	Kim Cushing	Phone: (360) 786-7421	Date: 01/08/2021
Agency Preparation:	Michael Shinn	Phone: 360-759-2122	Date: 01/19/2021
Agency Approval:	Edd Giger	Phone: 360-586-2104	Date: 01/19/2021
OFM Review:	Tyler Lentz	Phone: (360) 790-0055	Date: 01/22/2021

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 2 is a definitions section, including defining Department as the Department of Ecology (DOE), and climate commitment as the process and institutional mechanism to achieve greenhouse gas limits in RCW 70A.45.020.

Section 3 requires the Governor to create a comprehensive program to implement the state's climate commitment.

Section 5 requires DOE to implement a program for a greenhouse gas emissions cap for covered entities.

Section 6 sets budgets and timelines, requiring DOE to commence the program by January 1, 2023.

Section 7 defines covered entities.

Section 8 calls for DOE adopting rules for registry of covered entities.

Section 9 creates auctions for greenhouse gas allowances, with DOE required to adopt rules to implement.

Section 14 requires DOE to adopt rules for setting floor auction prices of allowances, and for holding auctions.

Section 15 requires DOE to adopt rules for offset projects and credits.

Section 17 sets up enforcement of submitting allowances to meet compliance obligations, including penalties of allowances and fines.

Section 19 requires DOE to adopt rules, including emergency rules, to implement sections 5-18.

Section 22 requires the Office of Equity to establish an environmental justice and equity advisory panel, with membership composition set forth.

Section 26 amends RCW 70A.15.3000 to allow DOE to require persons producing or distributing fossil fuels or other products that emit greenhouse gases in Washington to comply with air quality and emissions standards and limits.

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.

Cash receipts are assumed to equal the Legal Services Revolving Account (LSRA) cost estimates. These will be billed through the revolving account to the client agency.

The client agency is the Department of Ecology (DOE). The Attorney General's Office (AGO) will bill all clients for legal services rendered.

These cash receipts represent the AGO's authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agency's fiscal note. Appropriation authority is necessary in the AGO budget.

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.

Attorney General's Office (AGO) Agency Assumptions:

1. This bill has an emergency clause and is assumed to be effective immediately.

2. Total workload impact in this request includes standard assumption costs for good & services, travel, and capital outlays for all FTE identified.

3. Agency administration support FTE are included in the tables below, using a Management Analyst 5 as a representative classification.

4. Total workload impact in this request includes standard assumption costs for good & services, travel, and capital outlays for all FTE identified.

Assumptions for the AGO Ecology (ECY) Division's Legal Services for the Department of Ecology (DOE):

1. The AGO will bill DOE for legal services based on the enactment of this bill.

2. This bill requires DOE to engage in several complex rulemakings from FY 2022 to FY 2023 to implement the Cap and Trade Program. ECY assumes 0.25 Assistant Attorney General (AAG) to provide legal research and advice on the complex issues raised by this rulemaking, and by the implementation and enforcement of the Cap and Trade Program.

3. Beginning in FY 2024, ECY estimates one appeal every two years of DOE enforcement actions taken as a result of this bill. ECY assumes a need for 0.25 AAG. Additional rulemaking and advice is included in this projection.

4. Beginning in FY 2025, ECY assumes a need for advice on the implementation and enforcement of the Cap and Trade Program.

5. Total workload impact in FY 2022 and in each FY thereafter: 0.25 AAG and 0.13 Legal Assistant (LA) at a cost of $60,000 per FY.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
405-1	Legal Services Revolving Account	State	60,000	60,000	120,000	120,000	120,000
		Total $	60,000	60,000	120,000	120,000	120,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.4	0.4	0.4	0.4	0.4
A-Salaries and Wages	40,000	40,000	80,000	80,000	80,000
B-Employee Benefits	12,000	12,000	24,000	24,000	24,000
E-Goods and Other Services	7,000	8,000	15,000	16,000	16,000
J-Capital Outlays	1,000		1,000		
Total $	60,000	60,000	120,000	120,000	120,000

III. C - Operating FTE 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 2022	FY 2023	2021-23	2023-25	2025-27
Assistant Attorney General	108,600	0.3	0.3	0.3	0.3	0.3
Legal Assistant 3	54,108	0.1	0.1	0.1	0.1	0.1
Management Analyst 5	88,644	0.1	0.1	0.1	0.1	0.1
Total FTEs		0.4	0.4	0.4	0.4	0.4

III. D - Expenditures By Program (optional)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Ecology Division (ECY)	60,000	60,000	120,000	120,000	120,000
Total $	60,000	60,000	120,000	120,000	120,000

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5126 SB	Title: Climate commitment act	Agency: 103-Department of Commerce

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.2	0.0	0.1	0.0	0.0
Account					
General Fund-State 001-1	45,854	0	45,854	0	0
Total $	45,854	0	45,854	0	0

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.

X 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:	Kim Cushing	Phone: (360) 786-7421	Date: 01/08/2021
Agency Preparation:	Marla Page	Phone: 360-725-3129	Date: 01/14/2021
Agency Approval:	Joyce Miller	Phone: 360-725-2710	Date: 01/14/2021
OFM Review:	Gwen Stamey	Phone: (360) 902-9810	Date: 01/15/2021

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.

Climate Commitment Act - Establishes a cap and trade program for greenhouse gas (GHG) emissions. Directs Governor to prepare a strategic plan for climate which could affect future agency roles. Ecology establishes and operates the cap and trade program. Allowances are auctioned and the Legislature appropriates the revenue.

Section 4(1)(a) states the governor's office will convene a climate commitment task force with state agencies, other governments, and stakeholders by July 1, 2021. The appointments shall include diverse representation of stakeholders, including members of overburdened communities.

Section 4(1)(b) states the duties of the climate commitment task force are to develop recommendations to the legislature on the establishment of a state comprehensive climate, energy, and resilience program to implement the state's climate commitment in accordance with the purpose, principles, and elements in section 3 of this act.

Section 4(2)(a) states the climate commitment task force must develop preliminary recommendations by November 1, 2021. By December 1, 2021, the governor's office must submit a report to the legislature with the findings and recommendations of the climate commitment task force.

Section 11(2) requires the Department of Ecology, in consultation with the Department of Commerce, to adopt rules in order to mitigate the impact on rates or charges on citizens of the state for electricity services. The rule must be adopted by October 1, 2022.

Effective date is assumed to be 90 days after adjournment of the session in which this bill is passed.

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.

The department assumes Commerce will have a member appointed to the Climate Commitment Task Force to review the Governor's plan for a comprehensive climate program. The task force is assumed to meet twice a month, July thru December 2021.

The bill also states the Department of Ecology will consult with the department for rulemaking to adopt rules in order to mitigate the impact on rates or charges on citizens of the state for electricity services.

To complete this work, the department estimates:

0.1 FTE Assistant Director (208 hours) in FY22 to assist with development and recommendations to the legislature on the establishment of a state comprehensive climate, energy, and resilience program to implement the state's climate commitment.

0.1 FTE EMS2 Energy Policy Specialist (208 hours) in FY22 to coordinate with Ecology and consult on rulemaking.

Salaries and Benefits:
FY22: $33,412

Goods and Services:
FY22: $1,082

Intra-agency Reimbursement:
FY22: $11,360

Note: Standard goods and services costs include supplies and materials, employee development and training, Attorney General costs, central services charges and agency administration. Intra-agency Reimbursement-Agency administration costs (e.g., payroll, HR, IT) are funded under a federally approved cost allocation plan.

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

Total Estimated Costs

FY22: $45,854

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	45,854	0	45,854	0	0
		Total $	45,854	0	45,854	0	0

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.2		0.1		
A-Salaries and Wages	25,601		25,601		
B-Employee Benefits	7,811		7,811		
C-Professional Service Contracts					
E-Goods and Other Services	1,082		1,082		
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	11,360		11,360		
9-					
Total $	45,854	0	45,854	0	0

III. C - Operating FTE 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 2022	FY 2023	2021-23	2023-25	2025-27
EMS Band 2	111,060	0.1		0.1		
EMS Band 4	144,948	0.1		0.1		
Total FTEs		0.2		0.1		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Department of Revenue Fiscal Note

Bill Number: 5126 SB	Title: Climate commitment act	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

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:

[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.

[ ] Requires new rule making, complete Part V.

Legislative Contact:	Kim Cushing	Phone: (360) 786-7421	Date: 01/08/2021
Agency Preparation:	Preston Brashers	Phone: 360-534-1473	Date: 01/18/2021
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 01/18/2021
OFM Review:	Ramona Nabors	Phone: (360) 902-0547	Date: 01/18/2021

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.

Note: This fiscal note reflects language in SB 5126, 2021 Legislative Session.

This fiscal note only addresses those sections of the bill that impact the Department of Revenue (Department).

OVERVIEW
The Department of Ecology (Ecology) shall implement a program to cap greenhouse gas emissions in the state by January 1, 2023. Under the program, Ecology shall set a budget of annual emissions and distribute emission allowances by auction through a qualified contractor. The program shall also allow participants to buy, sell, and trade allowances to and from other participants.

Allowance Auction and Trading
Ecology must set the annual allowance budget to ensure that the emission limits for 2030, 2040, and 2050 in RCW 70A.45.020 are met. Ecology shall distribute emission allowances by auction not more than four times per year. Ecology must use an electronic tracking system to track compliance and to track the buying, selling, and trading of allowances obtained at auction. To the extent possible, Ecology shall link the auction and allowance trading system with other jurisdictions.

Climate Investment Account
The financial services administrator contracted by Ecology to manage the auction shall transfer the auction proceeds to the state treasurer for deposit in the new climate investment account. Revenues in the climate investment account may be spent on certain specified purposes, depending on appropriation. Money in the climate investment account may be deposited into the state general fund to cover the program's costs, to implement the working families tax rebate, for clean transportation programs, natural climate resilience solutions, clean energy transition and assistance programs, and/or emission reduction projects.

EFFECTIVE DATE
This bill contains an emergency clause and takes effect immediately upon the Governor's approval.

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
- Ecology will administer the program described in Sections 5-18, including the emission allowance auction and market.
- Emission allowances may be purchased at auction and traded in secondary markets.
- The Department of Revenue currently administers the business and occupation (B&O) tax, which is a tax on the gross proceeds of sales and the gross income of a business.
- The B&O tax applies to most types of business receipts.
- Unless a specific B&O exemption is created for sales of emission allowances to other entities, such sales will qualify as a taxable event under the B&O tax and will be taxed at the services and other activities tax rate of 1.5% or 1.75%, as described in RCW 82.04.290.
- Given that there is currently no data to estimate the buying, selling, or trading of emission allowances in Washington, the revenue impact to the state general fund from any B&O taxes collected as a result of the sale of carbon credits is indeterminate.

REVENUE ESTIMATES

TOTAL REVENUE IMPACT:

State Government (cash basis, $000): Indeterminate.

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

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.

Because it is not clear to what degree this legislation may impact the Department, expenditures to implement this legislation are indeterminate.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

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

NONE

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

None.

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5126 SB	Title: Climate commitment act	Agency: 215-Utilities and Transportation Commission

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	0.2	0.1	0.0	0.1
Account					
Public Service Revolving Account-State 111-1	0	35,724	35,724	0	37,533
Total $	0	35,724	35,724	0	37,533

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:	Kim Cushing	Phone: (360) 786-7421	Date: 01/08/2021
Agency Preparation:	Amanda Hathaway	Phone: 360-664-1249	Date: 01/14/2021
Agency Approval:	Amanda Hathaway	Phone: 360-664-1249	Date: 01/14/2021
OFM Review:	Jenna Forty	Phone: (564) 999-1671	Date: 01/14/2021

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 establishes the compliance periods of the program, beginning with 2023-2026, then 2027-2030, followed by annual program budgets for 2031-2040.

Section 11 provides for the free allocation of allowances to electric investor-owned utilities, but section 2 only refers to consumer-owned utilities. UTC assumes it will issue a policy statement by December 31, 2022, to clarify whether and how the statute applies to investor-owned utilities.

Section 12 requires the Department of Ecology to consult with the Utilities and Transportation Commission (UTC) before January 1, 2027, in creating rules to allocate allowances at no cost to natural gas companies equal to the amount of gas provided to low-income residential customers that receive any other form or rate or bill assistance from the utility. Monies can be used for energy efficiency. UTC assumes the required consultation will occur within a rulemaking in the latter half of 2026.

Sections 20, 21, and 23 create obligations for agencies administering or awarding funds from the Climate Investment Account. For the purposes of this fiscal note, UTC assumes it is not an implementing agency under these sections and that there will be no fiscal impact from these sections.

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.

Policy statement on application of allowances to investor-owned utilities
Section 11 provides for the free allocation of allowances to electric investor-owned utilities, but section 2 only refers to consumer-owned utilities. UTC assumes it will issue a policy statement by December 31, 2022, to clarify whether and how the statute applies to investor-owned utilities.

FY 2023 –
$34,705 (Commissioner, 0.02 FTE; Director Policy, 0.01 FTE; Policy Advisor, 0.06 FTE; Paralegal 2, 0.01 FTE; Asst Director Regulatory Services, 0.01 FTE; Resource Planning Manager, 0.04 FTE; Administrative Law Judge, 0.04 FTE; Attorney General, 0.02 FTE)

Rulemaking consultation with Department of Ecology
Section 12 requires the Department of Ecology to consult with the UTC before January 1, 2027, in creating new rules for allocation of allowances. UTC assumes the required consultation will occur within an Ecology rulemaking in the latter half of 2026.

FY 2027 -

$37,533 (Asst Director Regulatory Services, 0.02 FTE; Policy Advisor, 0.06 FTE; Resource Planning Manager, 0.06 FTE; Regulatory Analyst 3, 0.10 FTE; Director Policy, 0.02 FTE)

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
111-1	Public Service Revolving Account	State	0	35,724	35,724	0	37,533
		Total $	0	35,724	35,724	0	37,533

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.2	0.1		0.1
A-Salaries and Wages		24,302	24,302		25,533
B-Employee Benefits		8,506	8,506		8,936
C-Professional Service Contracts					
E-Goods and Other Services		2,916	2,916		
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 $	0	35,724	35,724	0	34,469

III. C - Operating FTE 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 2022	FY 2023	2021-23	2023-25	2025-27
Administrative Law Judge	111,996		0.0	0.0		
Asst. Director, Regulatory Services	115,908		0.0	0.0		0.0
Attorney General	188,400		0.0	0.0		
Commissioner	149,028		0.0	0.0		
Director, Policy	114,744		0.0	0.0		0.0
Paralegal 2	69,265		0.0	0.0		
Policy Advisor	109,284		0.1	0.0		0.0
Regulatory Analyst 3	90,883					0.1
Resource Planning Manager	87,924		0.0	0.0		0.0
Total FTEs			0.2	0.1		0.1

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

IV. D - Capital FTE Detail:

List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5126 SB	Title: Climate commitment act	Agency: 303-Department of Health

Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating 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:	Kim Cushing	Phone: (360) 786-7421	Date: 01/08/2021
Agency Preparation:	Jayme Hills	Phone: 360-338-2900	Date: 01/12/2021
Agency Approval:	Carl Yanagida	Phone: 360-789-4832	Date: 01/12/2021
OFM Review:	Danielle Cruver	Phone: (360) 522-3022	Date: 01/15/2021

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 26(2)(c): Amends RCW 70.15.300, Powers and Duties of Department, giving the Department of Ecology the ability to require persons who produce or distribute fossil fuels or other products that emit greenhouse gases in Washington to comply with air quality standards, emission standards, or emission limitations on emissions of greenhouse gases. If the program review in section 6(2) of this act finds that greenhouse gases and criteria pollutants are not being reduced in communities identified as highly impacted by the Department of Health's environmental health disparities map, then, as a means of ensuring that the program created in sections 5 through 18 of this act achieves reductions in greenhouse gas emissions and other criteria pollutants in overburdened communities highly impacted by pollution, the Department of Ecology shall prioritize the adoption of air quality standards, emission standards, or emission limitations on fuel suppliers or covered entities located in those areas.

While this bill requires the Department of Ecology to use the Department of Health's environmental health disparities map to inform its program review, it does not direct the Department of Health to do any additional work, therefore 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.

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.

None

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

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

Revised

Bill Number: 5126 SB	**Title:** Climate commitment act	**Agency:** 360-University of Washington

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
Account					
General Fund-State 001-1	50,000	1,744,206	1,794,206	3,423,779	3,361,897
Total $	50,000	1,744,206	1,794,206	3,423,779	3,361,897

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:

[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.

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

Legislative Contact:	Kim Cushing	Phone: (360) 786-7421	Date: 01/08/2021
Agency Preparation:	Jessie Friedmann	Phone: 206-685-8868	Date: 01/18/2021
Agency Approval:	Kelsey Rote	Phone: 2065437466	Date: 01/18/2021
OFM Review:	Breann Boggs	Phone: (360) 485-5716	Date: 01/19/2021

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.

SB 5126 seeks to institutionalize and operationalize the greenhouse gas limits by expressly providing such authority under chapter 70A.15 RCW, the Clean Air Act, to enact emission standards, and create a cap on greenhouse gas emissions, as part of a comprehensive state climate, energy, and resilience program.

This is a revised fiscal note based on recent assumptions provided by DOE in the interest of providing updated information for the 1/19 hearing. Due to staff out for the holiday, we have not been able to confirm some numbers/assumptions, and will provide a later revision if needed.

The following sections would have an impact on the University of Washington.

- Sec. 5: Establishes a cap on greenhouse gas emissions.
- Sec. 6: Bases emissions levels under a 2017-21 compliance period.
- Sec. 7: Describes who is a “covered entity” under this bill.
- Sec. 9: Lays out the specifics of auctions.
- Sec. 14: Describes allowance price containment.
- Sec. 15: Discusses offsets.
- Sec. 17: Details penalties.

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.

Our current expenditure estimates are based on the following assumptions:
-- We assume that there would be no additional reporting burden under SB 5126 as UW already reports greenhouse gas emissions to the Department of Ecology. If, however, the UW would need to conduct additional or more detailed reporting, the UW would need additional staff time to run a compliance program (likely 1 FTE environmental engineer, with salary and benefits of approx. $108,000 per year). There is also potential for the Department of Ecology to adopt rules regarding emission assumptions for electricity, which could also require greater expenditures to cover the cost of additional allowances.
-- We assume that the emissions that would be subject to this bill are those associated with the UW's power plant and contiguous properties.
-- We assume that offsets would not be used to cover any of the UW's compliance obligation.

We estimate that the following expenditures would be necessary in order for the UW to comply with allowance and compliance provisions set forth in this bill:
-- $100,000 spread equally between the latter half of FY22 and early half of FY23 to retain a consultant with expertise in cap & trade compliance, greenhouse gas allowances, and allowance auctions. Currently, the UW does not employ anyone with experience or knowledge of cap & trade policies in-house. This fee is estimated based on previous consultants hired by the University to implement comparable programs.

-- Allowances to cover UW's emissions levels. For the purpose of fiscal note, and per guidance from the Department of Ecology, we have used baseline emissions levels reported in 2019 to the Department. Under the assumption the emissions remain constant, and given the provided emission reduction pathways, calendar year allowance obligations will be:

2023: $1,694,206
2024: $1,706,155
2025: $1,717,624
2026: $1,730,912
2027: $1,630,985

These estimates are based on the estimated allowance prices provided by the Department of Ecology. Please note that the proposed law regulates emissions based on calendar year reporting, as opposed to fiscal year reporting. As such, actual expenditures will be not be cleanly aligned with either calendar or fiscal years, as the UW will likely purchase allowances at times in which UW receives the best price, as is allowable under the bill. Allowance costs are detailed in the "Good & Services" line of the Expenditures table.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	50,000	1,744,206	1,794,206	3,423,779	3,361,897
		Total $	50,000	1,744,206	1,794,206	3,423,779	3,361,897

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts	50,000	50,000	100,000		
E-Goods and Other Services		1,694,206	1,694,206	3,423,779	3,361,897
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 $	50,000	1,744,206	1,794,206	3,423,779	3,361,897

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

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

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.

No new rules.

Individual State Agency Fiscal Note

Revised

Bill Number: 5126 SB	Title: Climate commitment act	Agency: 365-Washington State University

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	0.5	0.3	0.5	0.5
Account					
General Fund-State 001-1	0	1,717,614	1,717,614	3,800,149	4,351,919
Total $	0	1,717,614	1,717,614	3,800,149	4,351,919

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:

- [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:	Kim Cushing	Phone: (360) 786-7421	Date: 01/08/2021
Agency Preparation:	Anne-Lise Brooks	Phone: 509-335-8815	Date: 01/19/2021
Agency Approval:	Chris Jones	Phone: 509-335-9682	Date: 01/19/2021
OFM Review:	Breann Boggs	Phone: (360) 485-5716	Date: 01/21/2021

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.

Senate Bill 5126 would do the following:

Sec. 5 creates a carbon pollution cap, allowances, and an auction for reducing greenhouse gas emissions that is capable of being integrated with emissions reduction programs in other jurisdictions.

Sec. 6 requires the program to commence January 1, 2023 and the state to review greenhouse emissions allowances on an annual basis.

Sec. 8 establishes compliance requirements for covered and opt-in entities.

Sec. 17 imposes monetary penalties if compliance is not achieved, up to $10,000 per day per violation.

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.

Washington Department of Ecology provided floor price assumptions by calendar year based on the current pricing used in California's program. Based on this assumption and WSU's 2019 reported amount of 79,851mt of eCO2, WSU would spend the following annually to be in compliance with the program:

Year Cost per allowance Annual Total Cost
2023 $ 20.60 $ 1,644,930
2024 $ 22.09 $ 1,763,908
2025 $ 23.68 $ 1,890,872
2026 $ 25.41 $ 2,029,014
2027 $ 27.27 $ 2,177,537

For purposes of the fiscal note, WSU is estimating based on a fiscal year basis, although in practice the allowance costs will change each calendar year.

WSU will require at least 0.5 FTE of a project engineer's time to maintain compliance with the program, including the purchasing of allowances. Annual salary is estimated at $108,000 and benefits at 34.6%

It is possible that the bill would result in additional reporting requirements beyond what WSU currently submits to the Department of Ecology. WSU estimates additional reporting and program management needs would be approximately 1 FTE environmental engineer, with salary and benefits of approximately $108,000 per year. For purposes of the fiscal note, WSU assumes its existing reporting is sufficient.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	0	1,717,614	1,717,614	3,800,149	4,351,919
		Total $	0	1,717,614	1,717,614	3,800,149	4,351,919

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.5	0.3	0.5	0.5
A-Salaries and Wages		54,000	54,000	108,000	108,000
B-Employee Benefits		18,684	18,684	37,368	37,368
C-Professional Service Contracts					
E-Goods and Other Services		1,644,930	1,644,930	3,654,781	4,206,551
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 $	0	1,717,614	1,717,614	3,800,149	4,351,919

III. C - Operating FTE 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 2022	FY 2023	2021-23	2023-25	2025-27
Project Engineer	108,000		0.5	0.3	0.5	0.5
Total FTEs			0.5	0.3	0.5	0.5

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Revised

Bill Number: 5126 SB	Title: Climate commitment act	Agency: 461-Department of Ecology

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Air Pollution Control Account-State 216-1					2,558,782
Climate Investment Account-State NEW-1		255,652,558	255,652,558	1,049,474,120	1,369,697,885
Total $		255,652,558	255,652,558	1,049,474,120	1,372,256,667

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	37.0	38.9	38.0	39.2	38.2
Account					
Air Pollution Control Account-State 216-1	0	0	0	0	2,558,782
Model Toxics Control Operating Account-State 23P-1	6,889,316	3,692,489	10,581,805	0	0
Climate Investment Account-State NEW-1	0	3,108,580	3,108,580	13,175,340	9,941,385
Total $	6,889,316	6,801,069	13,690,385	13,175,340	12,500,167

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:	Kim Cushing	Phone: (360) 786-7421	Date: 01/08/2021
Agency Preparation:	Pete Siefer	Phone: 360-407-6646	Date: 01/27/2021
Agency Approval:	Erik Fairchild	Phone: 360-407-7005	Date: 01/27/2021
OFM Review:	Lisa Borkowski	Phone: (360) 902-0573	Date: 01/27/2021

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 has been revised for corrections to cash receipts estimates beginning in FY 2027.

Under current law, RCW 70A.15.2200, the Department of Ecology (Ecology) manages the greenhouse gas (GHG) reporting program, which requires specified large producers of greenhouse gas emissions to report annual emissions.

This bill would create a Climate Commitment program for the state of Washington, which would modify requirements of the GHG reporting program and create a market system of tradeable carbon allowances to meet emissions reduction targets.

(Note that the Governor's proposed 2021-2023 Biennial Operating Budget includes funding for this proposed legislation under CIP Climate Commitment Act.)

Section 3 would require a comprehensive program to implement the state's climate commitment. The Governor's office would establish the governance structure for implementing the requirements of Section 3.

Section 4 would require the Governor's office to convene a climate commitment task force with state agencies, other governments, and stakeholders by July 1, 2021. The Governor's office would be required to submit findings and recommendations of the task force to the Legislature by December 1, 2021, on the establishment of a state comprehensive climate, energy and resilience program to implement the state's climate commitment in accordance with section 3 of the act.

Section 5 would establish requirements for the department to implement a cap on GHG emissions and use a carbon allowance trading market to incentivize GHG emissions reductions to meet statewide GHG reduction targets established in statute. Section 5 specifies criteria and requirements for the program.

Section 6:
This bill would establish a cap and trade program that would phase in regulatory requirements for different classes of GHG reporters. Section 6 sets the timing for the phases; phase one starts January 1, 2023 and ends December 31, 2026, and phase two starts January 1, 2027 and ends December 31, 2030.

Ecology would be required to set annual greenhouse gas allowance budgets, which would be designed to reduce emissions over time in order to meet statewide emission limits established in RCW 70A.45.020. The initial annual allowance budgets, for calendar years 2023 to 2026, would have to be adopted through rulemaking by October 1, 2022.

The annual program budgets for the phase two entities, set to begin January 1, 2027 and end December 31, 2030, would be adopted by October 1, 2026.

The annual program budgets must be set to achieve the share of reductions by covered entities necessary to achieve the 2030, 2040, and 2050 statewide emissions limits established in RCW 70A.45.020.

Ecology assumes that progress toward achieving the 2040 GHG emissions reduction targets would be monitored in the years approaching 2040, and that the rulemaking authority provided in section 19 would authorize a rule at a later date to adjust allowance budgets if needed to achieve the statutory target.

Future evaluations and rulemaking would be required for the 2030 through 2050 calendar years. The costs related to these requirements are beyond the scope of this fiscal note.

Section 7 would designate the criteria for program coverage and criteria for participation.

Section 8 would require Ecology to establish registration procedures by rule and requires the use of a secure, online electronic tracking system.

Section 9:
Ecology would hold a maximum of four auctions for allowances annually. Ecology would adopt by rule: floor prices; ceiling prices; allowance holding limits; and timing to offer allowance price containment reserve auctions. Ecology would also adopt by rule provisions to guard against bidder collusion and minimize the potential for market manipulation.

Ecology would engage a qualified, independent contractor to run the auctions and a qualified financial services administrator to hold and evaluate bid guarantees and inform Ecology of bid guarantee values once bids are accepted.

Ecology would design auctions to allow linkage with GHG trading programs in other jurisdictions where possible and may conduct auctions jointly with linked jurisdictions, using the same financial services administrator, market monitor, and auction administrator.

Once auction results were verified and approved by Ecology, and successful bidders notified by Ecology, auction proceeds would be collected by the financial services administrator and deposited via wire transfer into the Climate Investment Account created in section 20.

Section 10:
Section 10 would require Ecology to adopt rules by July 1, 2024 to allocate allowances that would be transferred by covered entities specified in this section and additional entities determined by Ecology to be engaged in emissions intensive, trade-exposed (EITE) processes during phase 2. These entities would be allocated a given number of free allowances, which would decline starting in calendar year 2027 and each subsequent compliance year.

Section 10 (1) specifies criteria for covered entities that would be classified as emissions intensive, trade-exposed (EITE) for the purposes of receiving no-cost allocations of allowances during phase one, and this subsection specifies the specific allocations for calendar years 2023 through 2026.

Section 10 (3) would require Ecology to adopt a rule by January 1, 2024 establishing objective numerical criteria for both emissions intensity and trade exposure for the purpose of identifying emissions-intensive trade-exposed manufacturing businesses during phase two and subsequent phases. By July 1, 2024, Ecology would be required to adopt rules for allocating allowances that must be transferred by entities determined by the department to be EITE and eligible for free allocation of allowances in this section.

Section 11:

Section 11 would require Ecology, in consultation with the department of commerce, to establish in rule by October 1, 2022, allocations of free allowances for electricity providers in order to mitigate potential impacts on electricity rates; by October 1, 2026, Ecology would adopt rules for allocating allowances to be provided at no cost during phase two for first jurisdictional deliverers of electricity that are also consumer-owned utilities with a clean energy implementation plan approved under the requirements of chapter 19.405 RCW, the Washington Clean Energy Transformation Act, consistent with an emissions allowance budget based on their approved clean energy implementation plan, or the allowance budget determined by Ecology by rule consistent with the requirements in section 5 of this Act, whichever is less.

Section 12:
Section 12 (1) would require no cost allowances be distributed to natural gas utilities based on low-income residential customers served by the utility. By January 1 of the second phase and each subsequent phase, the department would be required to determine by rule, after consulting with the utilities and transportation commission (UTC), the no cost allowances to be allocated to a natural gas utility for duration of the compliance period.
Section 12(2) would require no cost allowances be consigned to auction for the benefit of low-income customers and used exclusively to minimize cost impacts on low income residential customers.

Section13:
Section 13 would require Ecology to set an emissions containment reserve price by rule to ensure that the price of allowances remain sufficient to incentivize reductions of GHG emissions. Ecology would withhold allowances from auction when the price falls below the emissions containment reserve price, in order to allow the price to stabilize and ensure achievement of greenhouse gas reductions.

Section 14:
Section 14 would require Ecology to adopt by rule floor prices, allowance holding limits, ceiling prices, and timing to offer allowance price containment reserve auctions. During calendar years 2023 through 2026, Ecology would place a minimum of four percent of available allowances an allowance price containment reserve to assist in containing compliance costs for covered and opt-in entities in the event of unanticipated high costs. Ecology would adopt rules for dedicated allowance price containment reserve auctions when settlement prices in the preceding auction approach adopted auction ceiling prices; Ecology would also set reserve auction floor prices, establish the requirements and schedule for the allowance price containment reserve auctions, and establish the amount of allowances to be placed in the allowance price containment reserve after calendar year 2026.

Section 15:
Section 15 would require the department to establish protocols by rule for offset projects and credits that may be used to meet a portion of a covered or opt-in entity's compliance obligation under section 16 in alignment with RCW 70A.45.090 and 70A.45.100, that includes offset project requirements, specifies maximums for offset credit use, and details the use and counting of offset projects on tribal lands.

Section 16 would establish four-year compliance cycles.

Section 17 specifies enforcement requirements and penalties. Penalties of four allowances would be applied for each missing allowance. Ecology would be authorized to issue monetary civil penalties described in this section for failure to comply with any provision of this chapter or the rules adopted under this chapter. Monetary penalties would be deposited in the Air Pollution Control Account.

Section 18 would encourage Ecology to seek linkage agreements with other jurisdictions.

Section 19:
This section would authorize Ecology to adopt rules to implement the provisions of this chapter. This section would also authorize emergency rules for initial implementation of the program.

Section 20:
This section would establish the Climate Investment Account, an appropriated account to which all receipts from auctions would be deposited. The section describes the allowable uses of the funds in the account, which include Ecology's and other agencies' costs to support and administer the program.

Section 21:
Agencies allocating funds from, or administering grants funded by, the Climate Investment Account, would be required to conduct an environmental justice analysis meeting criteria specified in this section and would be required to report annually to the Environmental Justice and Equity Advisory Panel (Panel) and Office of Equity on progress toward meeting environmental justice and environmental health goals.

Section 22:
This section would create the Panel, the members of which would be appointed by the Office of Equity.

Section 23:
All agencies allocating funding or administering grant programs from the Climate Investment Account would be required to consult with Indian tribes on all funding decisions that affect Indian tribes' rights and interests in their tribal lands, independently of any public participation process required by state law, and regardless of whether a tribe requests consultation. For the purposes of this fiscal note, Ecology assumes that costs related to this section would be indeterminate.

Section 24:
This section would include indirect emissions in the definition of emissions under the Washington Clean Air Act, as they apply to GHG emissions; this estimate assumes that this change of definition could potentially impact regulatory requirements for new source reviews, source registrations, burn permitting, air operating permits, and other air quality regulations not solely related to GHG emissions. However, at this time Ecology cannot determine if or to what extent such rulemaking may be needed and when. Therefore, costs for such rule development are considered indeterminate. Impacts of this definition change to GHG reporting requirements would be determined during rulemaking and are indeterminate for purposes of this fiscal estimate.

Section 25:
This section would incorporate the requirements of the proposed cap and trade Program into the Greenhouse Gas (GHG) reporting program, RCW 70A.15.2200 and modify reporting requirements in the current GHG reporting program.

Section 26:
This section would authorize Ecology to prioritize emissions standards for fuel suppliers and other GHG emitting facilities in highly impacted communities, based on Department of Health's (DOH's) map. If the provisions of this section were to change the manner in which Ecology regulates any criteria pollutant standards, Ecology may be required to conduct rulemaking and updates to the State Implementation Plan for the Federal Clean Air Act. Because the extent of any needed changes would be determined through analysis of DOH's map, costs related to any changes are indeterminate for the purposes of this fiscal note.

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.

This bill would have a significant cash receipts impact beginning in Fiscal Year 2023 and ongoing.

Climate Investment Account Assumptions:

Under section 9, auction proceeds would be collected by the financial services administrator, and this fiscal estimate assumes that they would be deposited via wire transfer into the Climate Investment Account created in section 20. Auction revenue estimates were calculated based on program requirements as established in the bill, and the following assumptions.

Ecology would be required to set annual greenhouse gas allowance budgets, which would be designed to reduce emissions over time in order to meet statewide emission limits established in RCW 70A.45.020. The initial annual allowance budgets, for calendar years 2023 to 2026, would have to be adopted through rulemaking by October 1, 2022. For purposes of revenue assumptions, allowance budgets for phase two (beginning January 1, 2027) are based on available GHG reporting data at the time.

Section 7 would designate the criteria for program coverage and criteria for participation for two phases. Phase one occurs between January 1, 2023 – December 31, 2026. Phase two occurs from January 1, 2027 to December 31, 2030.

Beginning January 1, 2023 a maximum of four auctions would be held per calendar year.

The average annual eligible emissions from 2014-2018 (excluding biogenic emissions) were calculated for all entities meeting the thresholds and criteria for each phase as described in Section 7.

The total baseline annual emissions for covered entities in the first phase is calculated to be 54.3 MMT CO2e, which is 56% of total statewide emissions.

Statewide emissions would be limited to achieve the reductions specified in RCW 70A.45.020, which are as follows: 45% below 1990 levels by 2030, 70% below 1990 levels by 2040, and 95% below 1990 levels by 2050.
1990 statewide emissions were 90.5 MMT CO2e
The 2035 statewide emissions target is 49.8 MMT CO2e
The 2022 statewide emissions estimate (based on a three-year average of annual emissions for 2015 through 2017) is projected to be 97.0 MMT CO2e
The goal for emissions reduction from 2023 to 2030 is 49.8 - 97.4 = -53.8 MMT CO2e
The emissions reduction goal for covered entities, based on their 56% share of statewide emissions is calculated to be – 30.1 MMT CO2e over the eight-year compliance period through 2030.

Emissions allowances would need to decline by 6.1% each year during phase one, starting with calendar year 2023. This reduction pathway assumes that non-covered entities would also be voluntarily reducing emissions at a rate proportionate to the regulated/covered entities, based on the non-covered entities' portions of statewide emissions.

The initial allowance budget for January 1 to December 31, 2023, would equal a calculated reduction of 6.1% from the baseline annual emissions for phase one entities. This results in a total budget of 53 MMT CO2e. The budget would continue to decrease from the baseline by an additional 6.1% of baseline emissions each successive year.

During phase two, starting on January 1, 2027, the reduction curve for entities continuing from the first compliance period would be 6.1%. For new CO2e emissions that would be added to the program for the second compliance period, the reduction pathway would be 12.2% of baseline emissions each year. The baseline calculated emissions for entities incurring a compliance obligation in the second compliance period is 31.1 MMT CO2e, and the CY 2027 allowance budget would be reduced by 12.2%, adding 27.3 MMT CO2e to the CY 2027 allowance budget.

Ecology would be required to auction all allowances on a quarterly basis.

Each covered entity would need to purchase an allowance for each ton of carbon dioxide it emits.

Per section 9, Ecology would hold a maximum of four auctions for allowances annually. Ecology assumes the auctions for the first period would be conducted January, April, July, and October 2023. The schedule is assumed to remain the same for future compliance periods.

Ecology assumes that 100% of available allowances would be sold at each auction.

Section 10 would provide for an allocation of free allowances to be available for Energy Intensive Trade Exposed (EITE) entities, which would decline over time. The annual allocation of allowances for direct distribution to an entity identified as emissions-intensive and trade-exposed during phase one of the program would be equal to the covered entity's proportional obligation of the program budget for phase one established under section 6, multiplied by:
(a) During calendar year 2023, ninety percent;
(b) During calendar year 2024, eighty-five percent;
(c) During calendar year 2025, eighty percent; and
(d) During calendar year 2026, seventy-five percent.

Rulemaking would determine the allocations to be provided in calendar year 2027 and beyond. For purposes of this fiscal note, the seventy-five percent adjustment from calendar year 2026 is assumed to hold.

Section 11 would provide for an allocation of free allowances to be distributed directly to electricity generators in order to mitigate potential impacts on electricity rates. This fiscal note assumes that all phase one electricity suppliers would receive free allowances at their base rate of emissions through calendar year 2027.

Section 12 would require Ecology to adopt rules for allocating no-cost allowances to natural gas utilities in an amount equal to emissions attributable to provision of natural gas service to low-income residential customers. Based on the U.S. Census American Community Survey estimates, 9.8% of Washington residents met poverty criteria in 2019. This fiscal note assumes that 15% of natural gas residential customers would be classified as low income, and a proportionate share of baseline natural gas utilities' GHG emissions would be attributed to these households and allocated as no-cost allowances.

Section 13 would authorize establishment of an emissions containment reserve, allowing available allowances to be placed in reserve to meet emissions limits per RCW 70A.45.020.

Section 14 would require Ecology to set a minimum of 4% of the total number of allowances available aside for a price containment reserve during the years 2023 through 2026. The department would establish by rule the amount to be placed in the reserve beginning in the 2026 compliance period. California holds vintage allowances several years back. To provide a conservative estimate, this estimate assumes that 30% of the prior year's reserve will be sold at the prior year floor price each year, leaving unsold allowances in the reserve. This revenue estimate also assumes that Ecology maintains the 4% minimum through the time period for this fiscal estimate.

Ecology would also be required to establish by rule auction floor prices. Allowance floor prices in California are projected to grow approximately 7% per year, from a current price of $16.68 in 2020 to
$33.73 in 2030. Ecology assumes that allowance prices in Washington would be equivalent to those in California. Cost of allowances is estimated to start at $20.60 in 2023 and increase by 7% each year in ensuing years through compliance year 2027. Revenue estimates assume all allowances not in the price containment reserve would be purchased at the estimated price for the year.

All allowances are estimated to be purchased at floor prices. Actual prices can vary, based on the conditions of the allowance market. This assumption results in a minimum revenue estimate.

Section 15 would require Ecology to adopt by rule protocols for establishing offset projects and securing offset credits that may be used to meet a portion of a covered or opt-in entity's compliance obligation. In phase one, a covered entity may use offset credits for up to eight percent of the compliance obligation. The allowable coverage of compliance obligations would decrease to six percent in phase two. Revenue estimates assume maximum usage of offset credits to meet compliance obligations, reducing purchased allowances by eight percent each year for phase one and six percent each year for phase two.

Over Allocations attributed to COVID-19 – The Rhodium Group published a report on estimated GHG emissions changes in the future, depending on the recovery rates from the COVID-19 pandemic. This study is available at this link (https://rhg.com/research/taking-stock-2020/) and supports an assumption that the carbon market may have excess allowances in the future. Excess allowances are subtracted from the net priced allowances and are based on estimated emissions reductions following a curve informed by the Rhodium Group study. The net effect is a reduction in revenue based on the excess allocations. The assumed emissions reductions and over-allocations for this analysis, and a link to the complete study.

Total proceeds from auctions from January 1, 2023, to June 30, 2027, were estimated for each corresponding fiscal year.

Penalty Revenue Assumptions:
Section 17 specifies enforcement requirements and penalties. For the purposes of this fiscal note, enforcement actions and penalties are assumed to be limited, but unknown, and therefore are not estimated in this fiscal note.

Greenhouse Gas Reporting Fee Revenue:
Section 25 would modify GHG reporting requirements, which would influence GHG reporting workload costs and the number of reporting facilities. Ecology assumes that fee modifications related to the changes in section 25 would be set during rulemaking for this section and would incorporate workload changes related to the

modification of GHG reporting requirements. The fee changes would take effect in FY 2026.

Under current law, RCW 70A.15.2200, GHG reporting fees are set to equal but not exceed projected direct and indirect costs for Ecology's development and implementation of the program in the forthcoming year. Cash receipts are estimated to equal expenditure estimates for the GHG reporting program in the Air Pollution Control Account in this fiscal note.

SUMMARY: See attached Revenue Table for detail of projected revenue for the Climate Investment Account.

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.

The expenditure impact to Ecology under this bill is estimated to be greater than $50,000 in Fiscal Year (FY) 2022 and ongoing to implement the requirements of sections 3, 4, 6, 8, 9, 10, 11, 12, 13, 14, 15, 18, 19, 22, 25.

Note on Indeterminate Costs: The following costs are indeterminate and not included in the fiscal impact estimates summarized below.

Section 8 and 9 – Auction Revenue management
The cost estimates for auction implementation include a contract with a financial services administrator (FSA), and Ecology assumes that the FSA would deposit auction proceeds into the account via a wire transfer. In the event that Ecology were to be responsible for collection and/or depositing auction receipts into the Climate Investment Account, we would have costs related to accounts receivable management. Because these costs would depend on information that would become available during program implementation and rulemaking, they are indeterminate for the purposes of this fiscal estimate.

Sections 20, 21, and 23 – Climate Investment Account, Environmental Justice Analysis, and Tribal Consultation
Ecology assumes that OFM would be the administering agency for the account, because it would likely be appropriated to multiple agencies to fulfill the allocations and outcomes described in this section. Agencies making allocations would have costs related to grant program administration and the analysis and consultation requirements specified sections 21 and 23; Because the state agencies responsible for implementing allocations are not described in the draft for which these estimates have been prepared, Ecology's costs related to fund and/or grant administration, tribal consultation, and allocation of funds is indeterminate for the purposes of this estimate.

Section 24 - Indirect Emissions – Ecology assumes that the modification of the definitions of "Emission," "Emission Standard," and "Emission limitation" to include indirect emissions of greenhouse gases may potentially impact regulatory programs under Washington's Clean Air Act that are not solely related to GHG emissions, such as new source review, registration, air operating permits. At this time, Ecology cannot determine if or to what extent such rulemaking may be needed and when. Therefore, costs for such rule development are considered indeterminate. Cost estimates also do not include any costs related to collecting indirect GHG emissions data because the requirements would be established during rulemaking; costs would be indeterminate for now but would likely require a decision package in a future biennium. Because the GHG reporting program is fee-supported, any ongoing GHG reporting costs would also require an indeterminate GHG reporting fee adjustment to cover the cost changes.

Section 25 - Travel costs for auditing and technical assistance to out of state transportation fuel suppliers – Costs are indeterminate due to uncertainty regarding the number of out of state suppliers and actual travel required. Additionally, the ability and capacity for suppliers to provide secure remote access for sensitive documents differs from supplier to supplier and would render travel costs indeterminate.

Section 26 - Emissions standards for fuel suppliers and other GHG emitting facilities in highly impacted communities. If the provisions of this section were to change the manner in which Ecology regulates any criteria pollutant standards, Ecology may be required to conduct rulemaking and updates to the State Implementation Plan for the Federal Clean Air Act. Because the extent of any changes would be determined through analysis of impacted communities, costs related to any changes are indeterminate for the purposes of this fiscal note. Section 23 would require agencies to consult with Indian tribes on all funding decisions that affect Indian tribes' rights and interests in their tribal lands, independent of any public participation process required by state law and regardless of whether a tribe requests consultation.

Staff for Program Coordination and Public Engagement

The proposed legislation would create a highly technical program with broad public interest that would require streamlined, coordinated efforts to implement. The following staff would provide essential support to ensure that requirements of the bill are implemented according to statutory timelines, and that the public is engaged and informed throughout the implementation process.

Policy Manager - Washington Management Service 3 (WMS3) - this position would report to the Air Quality Program Manager and would provide policy support and agency coordination for the Climate Commitment and resilience planning required by sections 3 and 4 and the Environmental Justice and Equity Advisory Panel (EJEAP) created in section 22.

This position would assist with appointments to the EJEAP as needed, coordinate efforts, provide high-level policy advisement, and support government-to-government relations. Ecology estimates that WMS 3 is the most suitable level, because the role will be responsible for the following:
- Making important decisions that require analysis in unknown and unexplored areas having significant effect on clients and citizens;
- Being accountable for providing reliable and professionally sound guidance, consultation, and advice to Ecology executive management at an advanced level of expertise where the impact is highly consequential;
- Having the authority to make judgements having a long term impact on Ecology and the success of the program created in the proposed legislation;
- Providing innovative and highly effective solutions in exceptionally sensitive legal and political circumstances.

The staff time needed is estimated to be 0.75 FTE in FY 2022 and 1.0 FTE in FY 2023 and ongoing thereafter, based on the allocations of time summarized above and in detailed in the relevant sections below.

Cap and Trade Manager - Washington Management Service 2 (WMS2) - this position would coordinate all processes to ensure that timelines and criteria would be met, and would supervise the entire cap and trade program. This position would perform general supervision functions over implementation staff, and coordinate the various reports and timelines required for successful program implementation. The additional staff time needed is estimated to be 1.0 FTE in FY 2022 and ongoing thereafter.

Communications Consultant 5 – this position would serve as agency media lead for the program, managing interview requests, coordinating with program and agency leadership on messaging and strategy, working with stakeholders, and overseeing public engagement for the program. The additional staff time needed is estimated to be 0.5 FTE each year in FY 2022 through FY 2025.

Communications Outreach and Environmental Education Specialist 4 (COEES4) – this position would develop and implement statewide public engagement and education for the new program. The COEES4 would organize public meetings, develop educational materials, coordinate with stakeholders, lead development of program implementation and compliance materials, and oversee work of supporting COEES positions dedicated to specific program needs. The additional staff time needed is estimated to be 1.0 FTE in FY 2022 and ongoing thereafter.

Costs for these positions would be paid with Model Toxics Control Account - Operating (MTCA-OP) until December 31, 2022, and with the Climate Investment Account starting January 1, 2023.

Climate Commitment Support - Sections 3 and 4

Ecology assumes Ecology personnel would provide coordination, administrative support, and technical expertise for the Comprehensive Program created in Section 3. Assumed staffing is as follows:

The WMS 3 position described above would provide high level coordination with tribes, other agencies, and stakeholders, as needed to support the development of the comprehensive program to implement the state's climate commitment.

An Administrative Assistant 4, 0.5 FTE in FY 2022 and ongoing thereafter, would provide administrative support for the requirements of Sections 3 and 4, which would likely require extensive coordination and meeting planning among multiple agencies/entities and the Governor's Office.

Ecology assumes staff would provide subject matter expertise in the areas of climate policy and greenhouse gas emissions, environmental justice, and ecology programs to support resilience planning, such as stormwater planning and floodplains restoration to support development of climate commitment program requirements:
- WMS Band 2 for coordination of Ecology staff consultation and recommendations, 0.1 FTE in FY 2022 and ongoing thereafter;
- Environmental Planner 4, with expertise in stormwater planning, 0.1 FTE in FY 2022 and ongoing thereafter;
- Environmental Planners 5, with expertise in climate policy and greenhouse gas emissions, environmental justice, and floodplains restoration, 0.3 FTE in FY 2022 and ongoing thereafter;

Initial and Phase 2 Requirements and Criteria – Rulemaking for Sections 6, 7, 8, 9, 10, 11, 12,13, 14, 18, and 19

The proposed legislation would establish a cap and trade program that would phase in regulatory requirements for different classes of GHG reporters.

Ecology would be required to set annual greenhouse gas allowance budgets, which would be designed to reduce emissions over time in order to meet statewide emission limits established in RCW 70A.45.020. The initial annual allowance budgets for phase one, during calendar years 2023 through 2026, would have to be adopted through rulemaking by October 1, 2022.

Ecology would adopt revised annual program budgets and include additional covered entities for phase two, covering calendar years 2027 through 2030, by October 1, 2026. Allowance budgets and the reduction pathway would be scaled as necessary to target the 2030 GHG emissions reductions specified in statute.

The proposed legislation would require Ecology to adopt rules by October 1, 2028, which would set annual budgets for calendar years 2031 through 2040 to achieve 2040 emission reduction limits identified in RCW 70A.45.020. Ecology assumes that progress toward achieving the 2040 GHG emissions reduction targets would be monitored in the years approaching 2040, and that the rulemaking authority provided in section 19 would authorize a rule at a later date to adjust allowance budgets if needed to achieve the statutory target.

Future evaluations rulemaking would be required for the 2040 through 2050 calendar years. The costs related to these requirements are not included in the timeframe for this fiscal note; additional expenditure authority for these costs would be requested for that timeframe in a future budget request.

Section 6:
Section 6 would require Ecology to adopt rules by October 1, 2022, to set schedules for auctions, criteria for scheduling containment price reserve auctions, floor and ceiling prices for both auction types, registration requirements, auction process criteria, provisions to guard against bidder collusion and other market manipulation, and allowance budgets for compliance years 2023 through 2026 for covered entities participating in phase one, as determined under section 7.

By October 1, 2026, Ecology would adopt the annual program budgets for the phase two entities, which would commence compliance obligations on January 1, 2027.

By October 1, 2028, Ecology would adopt by rule annual budgets for calendar years 2031 through 2040 to achieve 2040 emission reduction limits identified in RCW 70A.45.020. Costs for this rule making cycle are not assumed in this fiscal note. Ecology would submit a budget request in the future as necessary.

Section 7 would designate the criteria for program coverage under the compliance periods and define the entities who would have regulatory requirements in each compliance period. Rulemaking would require extensive outreach to impacted entities.

Section 8 would require Ecology to establish registration procedures by rule.

Section 9 would require Ecology to adopt by rule provisions to guard against bidder collusion and minimize the potential for market manipulation. Ecology would design auctions to allow, to the maximum extent practicable, linkage with GHG trading programs in other jurisdictions where possible, and to facilitate transfer of allowances and joint auctions with linked jurisdictions with which a linkage agreement is established.

Section 13 would require Ecology to set an emissions containment reserve price by rule to ensure that the price of allowances remain sufficient to incentivize reductions of GHG emissions. Ecology would withhold allowances from auction when the price falls below the emissions containment reserve price, in order to allow the price to stabilize and ensure achievement of greenhouse gas reductions.

Section 14 would require Ecology to adopt by rule floor prices, allowance holding limits, ceiling prices, and timing to offer allowance price containment reserve auctions. During years 2023 through 2026, Ecology would place a minimum of four percent of available allowances an allowance price containment reserve to assist in containing compliance costs for covered and opt-in entities in the event of unanticipated high costs. Ecology would adopt rules for dedicated allowance price containment reserve auctions when settlement prices in the preceding auction approach adopted auction ceiling prices; Ecology would also set reserve auction floor prices, establish the requirements and schedule for the allowance price containment reserve auctions, and establish the amount of allowances to be placed in the allowance price containment reserve after calendar year 2026.

Section 18 would encourage Ecology to seek linkage agreements with other jurisdictions. Ecology assumes that a memorandum of understanding (MOU) would be prepared in the first year for linkage with California. The process of MOU drafting and approval would take eighteen months. As described later in this fiscal note, linkage with California would require substantial changes in the greenhouse gas reporting program protocols and systems. Ecology would begin making these changes in FY 2022, but estimates that it would take a minimum of four years to change GHG reporting rules and implement the necessary changes to ensure reliable data and successful linkage.

Section 19 would authorize rulemaking to implement the provisions of the chapter and emergency rules pursuant to RCW 34.05.350 for initial implementation of the program, and to ensure that reporting and other program requirements are determined early for the purpose of program design and early notice to registered entities with a compliance obligation under the program .

The rulemaking for both the first and second compliance periods would be complex and require extensive outreach to provide sufficient opportunity for public comments during the process. A rulemaking of this nature would normally require a minimum of two and a half years, but the initial process would need to be accelerated to ensure that rules would be adopted by October 1, 2022, and all provisions would be in place to allow time for registration prior to the first auction in January 2023. Initial rulemaking would start July 1, 2021, and end September 30, 2022 (15 months). More staff than normal would be needed to meet this very tight timeline for a large and complex rule. Ecology would need to rely on data as available, and requirements in place in other jurisdictions to establish initial rules; the second rulemaking process would provide an opportunity to refine requirements for Washington, based on available data, program performance, and lessons learned. For the phase two and subsequent decade's allowance budgets, rulemaking would begin on July 1, 2024. The rulemaking process for the second compliance period requirements would end September 30, 2026 (2 years, three months), and rulemaking for the 2030 through 2040 budgets would continue through September 30, 2028 (beyond the scope of this fiscal note). Future rules would require additional resources. Ecology would request needed funding for future rules through the budget process.

Rulemaking staff and resources are estimated as follows:

Environmental Planner 3 – under the direction of the WMS2, the rulemaking lead would coordinate the rulemaking timeline, lead rule development, manage stakeholder engagement, and other tasks as necessary for rule changes. The additional staff time needed is estimated to be 1.0 FTE in FY 2022, 0.25 FTE in FY 2023, and 0.85 FTE each year in FY 2025, FY 2026, and FY 2027.

Environmental Planner 5 – these positions would provide policy and technical expertise to support rulemaking, coordinate with other jurisdictions to plan linkage agreements, ensure rules align with existing programs in other jurisdictions, and coordinate contract agreements with Western Climate Initiative (described below for section 9 Auction Administration). The additional staff time needed is estimated to be 2.0 FTE in FY 2022, 0.5 FTE in FY 2023, and 2.0 FTE each year in FY 2025, FY 2026, and FY 2027.

Environmental Specialist 5 – these positions would provide technical support, respond to public questions during the rulemaking process, and support ongoing data analysis and evaluation. The additional staff time needed is estimated to be 3.0 FTE in FY 2022 and 0.75 FTE in FY 2023, and 3.0 FTE each year in FY 2025, FY 2026, and FY 2027.

Environmental Engineer 5 – this position would provide technical support in rule development and provide technical support to GHG reporters and covered entities during notification and rulemaking. The additional staff time needed is estimated to be 1.0 FTE in FY 2022 and 0.25 FTE in FY 2023, and 1.0 FTE each year in FY 2025, FY 2026, and FY 2027.

Community Outreach and Environmental Education Specialist 3 – this position would provide outreach to ensure that the public is aware of the program and requirements and provided opportunities to participate during rulemaking. The additional staff time needed is estimated to be 0.5 FTE in FY 2022 and 0.5 FTE in FY 2023, and 0.5 FTE each year in FY 2025, FY 2026, and FY 2027.

The following positions would complete an economic and regulatory analysis of the rule. The additional staff time needed is estimated to be
- Economic Analyst 3 at 0.25 FTE in FY 2023 and 0.25 FTE in FY 2027; and
- Regulatory Analyst 2 at 0.1 FTE in FY 2023 and 0.1 FTE in FY 2027.

Ecology would hold the following numbers of public meetings or hearings for the two rulemaking processes: twelve events in FY 2022, five events in FY 2023, four events in FY 2025, four events in FY 2026, and four events in FY 2027. Cost estimates include facility rental costs, estimated at $1,000 per meeting.

The Attorney General's Office (AGO) estimates 0.25 FTE Assistant Attorney General (AAG) and 0.13 FTE Legal Assistant each year in fiscal years 2022 through 2027, would provide and support consultation throughout all rulemakings required for the proposed program and criteria, as well as to support program implementation. AGO support is estimated to cost $61,000 each year from FY 2022 to FY 2027, and is included in Object E.

Consistent with the AGO fiscal note estimates and for purposes of simplicity, the AGO time to support all rulemaking functions for this bill are included in this portion of the fiscal note and are referenced where other related rulemaking efforts described below.

Ecology estimates that an independent contractor would be required to provide consultation and guidance on initial rule provisions to guard against bidder collusion and minimize the potential for market manipulation. The cost for this contract is estimated to be $200,000 in FY 2022 and $80,875 in FY 2023, based on Ecology's cost for 1.20 FTE of Environmental Planner 5 (EP5) in FY 2022 and roughly 0.5 FTE EP5 in FY 2023.

Consistent with the funding provided in the Governor's proposed 2021-23 biennium budget, costs for this section would be paid with Model Toxics Control Account - Operating (MTCA-OP) though December 31, 2022. Costs from January 1, 2023 and ongoing thereafter would be paid with the Climate Investment Account.

Identify and Implement Criteria and Allocations for EITE, Electricity Suppliers, and Natural Gas Utilities - Sections 10, 11, and 12

Section 10 (1) specifies criteria for covered entities that would be classified as emissions intensive, trade-exposed (EITE) for the purposes of receiving no-cost allocations of allowances during phase one, and this subsection specifies the specific allocations for calendar years 2023 through 2026.

Section 10 would require Ecology to adopt rules by July 1, 2024 to allocate allowances that would be transferred by covered entities specified in this section and additional entities determined by Ecology to be engaged in emissions intensive, trade-exposed (EITE) processes during phase 2. These entities would be allocated a given number of free allowances, which would decline starting in calendar year 2027 and each subsequent compliance year.

Section 10 (3) would require Ecology to adopt a rule by January 1, 2024 establishing objective numerical criteria for both emissions intensity and trade exposure for the purpose of identifying emissions-intensive trade-exposed manufacturing businesses during phase two and subsequent phases.

Section 10 would require Ecology to adopt rules by December 31, 2029 for EITE criteria and allowances for calendar years 2031 through 2040. The costs related to these requirements are not included in the timeframe for this fiscal note; additional expenditure authority for these costs would be requested for that timeframe in a future budget request and would be based on prior rulemaking experience for these requirements for the prior time periods.

Section 11 would require Ecology to consult with the Department of Commerce (Commerce) and establish in rule by October 1, 2022 allocations of allowances provided at no cost to covered entities that are electricity generators owned by, or under contract with, a consumer-owned or investor-owned electric utility.

By October 1, 2026, Ecology would adopt rules for allocating allowances to be provided at no cost during the second compliance period for first jurisdictional deliverers of electricity that are also consumer-owned utilities with a clean energy implementation plan approved under the requirements of chapter 19.405 RCW, the Washington Clean Energy Transformation Act, consistent with an emissions allowance budget based on their approved clean energy implementation plan, or the allowance budget determined by Ecology by rule consistent with the requirements in section 5 of the act, whichever is less.

Section 12 would require Ecology to consult with the Utilities and Transportation Commission (UTC) and adopt rules prior to January 1, 2027 for allocations of free allowances to be provided to natural gas utilities. Ecology would need to consult with UTC and adopt rules prior to each subsequent compliance period for natural gas allowance provisions during the future compliance periods. Ecology assumes that the rule adopted by October 1, 2026 for electricity allowances in the second compliance period would include the allowance provisions for natural gas utilities. This fiscal note assumes that expenditure authority for rules to adopt allowances for the compliance periods beginning calendar year 2030 would be requested in a future budget request, based on rulemaking experience for the previous compliance periods.

For the rulemaking process that would need to be completed by 2024 to determine the phase 2 entities' EITE allocations and criteria, it is assumed that the rules adopted by January and July 2024 would be based on best available data. Additional, more extensive rulemaking would be needed starting in FY 2025 (beginning July 1, 2024) when the GHG reporting changes are further developed and new GHG data collected as a result of GHG reporting statutory and rule changes. Rule modifications for EITE criteria and allocations would be adopted with allocations of free allowances for electricity and natural gas utilities by October 1, 2026.

Based on these assumptions, the initial rules would require a standard rulemaking process with opportunity for public comments during the process, but rulemaking would need to be accelerated to adopt the allocations for electricity providers by October 1, 2022. Rulemaking would start July 1, 2021. Rulemaking for initial electricity allocations would conclude September 30, 2022 (fifteen months), rulemaking for EITE criteria would conclude December 31, 2023 (two and a half years), and rulemaking for EITE allocations during the second compliance period would conclude June 30, 2024 (three years). The rules would incorporate, to the extent possible, approaches used by other jurisdictions with which Ecology may engage in a linkage agreement.

The second rulemaking process would begin July 1, 2024 and conclude by September 30, 2026 for incorporation in the second compliance period beginning January 1, 2027. This second rulemaking process would incorporate new covered entities and have expanded complexity and public interest. Ecology estimates that this rulemaking effort would require expanded resources and time to ensure capacity for public engagement and balancing stakeholder needs with GHG emissions reduction goals.

This fiscal estimate assumes a contract with third-party experts not financially affiliated with industries under consideration to assist in gathering data and conduct analysis to support rulemaking for both the initial and second rulemaking processes.

Rulemaking for criteria and allocations would require the following resources:

Environmental Planner 3 - the rulemaking lead would oversee project management, lead rule development, manage stakeholder engagement, and other tasks as necessary for both rule changes. The additional staff time needed is estimated to be 0.54 FTE in FY 2022, 0.54 FTE in FY 2023, 0.27 FTE in FY 2024, 0.85 FTE each year in FY 2025 and FY 2026, and 0.43 FTE in FY 2027.

Environmental Planner 5 – these positions would provide policy and technical expertise to support rulemaking, conduct ongoing analysis and evaluation and coordination with UTC and Commerce, as needed, at the FTE level estimated for FY 2024. The additional staff time needed is estimated to be 0.64 FTE in FY 2022, 0.64 FTE in FY 2023, 0.28 FTE in FY 2024, 0.75 FTE each year in FY 2025 and FY 2026, and 0.25 FTE in FY 2027.

Environmental Engineer 5 – this position would lead allocation calculation efforts based on best available data. This position would continue to evaluate allocations on an ongoing basis as reporting data is updated to support linkage agreements at the FTE level estimated for FY 2024. The additional staff time needed is estimated to be 0.5 FTE in FY 2022, 0.65 FTE in FY 2023, 0.35 FTE in FY 2024, 0.75 FTE each year in FY 2025 and FY 2026, and 0.25 FTE in FY 2027.

Environmental Engineer 3 – this position would support allocation calculations and provide technical support for public comments during rulemaking. This position would support ongoing evaluation of EITE allocations at the FTE level estimated for FY 2024. The additional staff time needed is estimated to be 0.5 FTE in FY 2022, 0.65 FTE in FY 2023, 0.35 FTE in FY 2024, 0.75 FTE each year in FY 2025 and FY 2026, and 0.25 FTE in FY 2027.

Community Outreach and Environmental Education Specialist 3 – this position would provide outreach to ensure that the public is aware of the process and provided opportunities to participate during rulemaking. The additional staff time needed is estimated to be 0.25 FTE each year in FY 2022, FY 2023, FY 2024, FY 2025 and FY 2026, and 0.1 FTE in FY 2027.

The following positions would complete an economic and regulatory analysis of the rule. The additional staff

time needed is estimated to be
- Economic Analyst 3, 0.25 FTE in FY 2023, 0.25 FTE in FY 2024 and 0.25 FTE in FY 2027; and
- Regulatory Analyst 2, 0.1 FTE in FY 2023, 0.1 FTE in FY 2024 and 0.1 FTE in FY 2027.

Professional services contracts would be required to consult with a third-party expert to assist in gathering data and conduct analysis to support EITE designations. The cost for this contract is estimated to be $53,500 in FY 2022, $107,000 in FY 2023, $40,000 in FY 2025, $90,500 in FY 2026, and $30,000 in FY 2027. The total estimated agreement cost of $160,500 for each rulemaking process is based on Ecology's cost for roughly 0.9 FTE of Environmental Planner 5.

Ecology would hold the following numbers of public meetings or hearings for the two rulemaking processes: two events in FY 2022, two events in FY 2023, one event in FY 2024, five events in FY 2025, five events in FY 2026, and two events in FY 2027. Cost estimates include facility rental costs, estimated at $1,000 per meeting.

AGO support costs are included in the estimates provided above for initial rulemaking.

Costs would be paid with Model Toxics Control Account - Operating (MTCA-OP) until December 31, 2022, and with the Climate Investment Account starting January 1, 2023.

Offset Protocols– Section 15

Ecology would be required to adopt by rule protocols for establishing offset projects and securing offset credits that may be used to meet a portion of a covered or opt-in entity's compliance obligation under Section 16. Section 18 would require Ecology to seek to link its program with other emission trading programs, so Ecology would need to ensure offset protocols align with those of linked programs.

Ecology would review existing protocols, coordinate the review with other state agencies and provinces, develop new or adapt existing protocols, and adopt rules for offset protocols appropriate for Washington. Ecology assumes that initial development of offset protocols would take 2.5 years, starting July 1, 2021, and completing on December 31, 2023. Ecology assumes routine reviews of protocols every three years starting in FY 2027 and subsequent rule updates. Ecology estimates that development of and updates to offset protocols would require the following staff.

Environmental Planner 3 - the rulemaking lead would oversee rulemaking project management, lead rule development, manage stakeholder engagement, and other tasks as necessary for both rule changes. The additional staff time needed is estimated to be 0.5 FTE each year in FY 2022 and FY 2023, 0.25 FTE in FY 2024, and 0.5 FTE in FY 2027 and every three years thereafter.

Environmental Planner 5 – these positions would provide policy analysis, environmental justice analysis and coordination with environmental justice groups, technical expertise to support rulemaking, and analysis of offset protocols in other jurisdictions. They would lead ongoing analysis and evaluation to support intermittent reviews and updates of protocols. The additional staff time needed is estimated to be 0.85 FTE each year in FY 2022 and FY 2023, and 0.55 FTE in FY 2024 and ongoing thereafter.

Environmental Specialist 5 - These positions would support cross-agency communications, support public outreach efforts related to rulemaking, and perform analysis and ongoing evaluation of the offset protocols. The additional staff time needed is estimated to be 1.0 FTE each year in FY 2022 and FY 2023, and 0.75 FTE in FY 2024 and ongoing thereafter.

Environmental Engineer 5 – this position would evaluate criteria and models needed to evaluate GHG emissions reductions of proposed offset projects and provide technical support for the ongoing analysis and evaluation of protocols. The additional staff time needed is estimated to be 0.75 FTE each year in FY 2022 and FY 2023, and 0.5 FTE in FY 2024 and ongoing thereafter.

Community Outreach and Environmental Education Specialist 3 – this position would provide outreach to ensure that the public is aware of the process and provided opportunities to participate during rulemaking. The additional staff time needed is estimated to be 0.5 FTE in FY 2022, 0.25 FTE in FY 2023, 0.25 FTE in FY 2024, and 0.25 FTE in FY 2027 and every three years thereafter.

The following positions would complete an economic and regulatory analysis of the rule. The additional staff time needed is estimated to be

- Economic Analyst 3 at 0.25 FTE in FY 2024, and 0.25 FTE in FY 2027 and every three years thereafter;

- Regulatory Analyst 2 at 0.1 FTE in FY 2024, and 0.1 FTE in FY 2027 and every three years thereafter.

Ecology would hold three public meetings each year in FY 2022 and FY 2023 and one hearing in FY 2024. Cost estimates include facility rental costs, estimated at $1,000 per meeting.

AGO support cost assumptions are included in the estimates provided above for initial rulemaking.

Ecology assumes that independent contractors would be required to provide technical expertise related to forestry protocols, agricultural practices, oceanic sequestration investments and other classes of offset projects. The cost for these contracts are estimated to be $160,500 each year FY 2022 and FY 2023 and $80,250 in FY 2027 and every three years thereafter. Estimates are based on the cost for approximately 0.90 FTE of Environmental Planner 5 with associated administrative and standard costs for the first two fiscal years, and approximately 0.45 FTE EP5 for future intermittent evaluations of the protocols.

Costs for Section 15 would be paid with Model Toxics Control Account - Operating (MTCA-OP) until December 31, 2022, and with the Climate Investment Account starting January 1, 2023.

Implement Auctions and Carbon Market – Sections 9 and 13

Sections 9 and 13 describe the requirements and criteria for administering auctions and containment price reserve auctions. Costs to adopt these criteria by rule are described above. Below are the estimated costs to implement and administer the auctions.

A qualified independent contractor would run the auctions, a qualified financial services administrator would provide financial services related to auctions, and a market monitor would monitor the auctions. For the purposes of this fiscal note, Ecology assumes these services would be provided through the Western Climate Initiative Inc. (WCI), a non-profit organization formed to provide coordinated administrative and technical support to California and other states and provinces implementing emissions trading programs. The services provided by the auction administrator, financial services administrator, and market monitor would include access to electronic forms, applications and standard on-line systems (i.e., compliance instrument tracking system services (CITSS), registration interface, and auction platform). Annual participation dues to WCI covering the costs of these services would be paid starting FY 2022, to ensure the following requirements are met in time for the first auction in January 2023:

- CITSS is set up for Washington;
- covered entities are able to apply and register;
- accounts are set up for registered entities;
- the auction administrator, financial services administrator and market monitor are selected and ready to administer the first auction.

The membership cost for services provided by WCI are estimated to cost $770,000 per year. This estimate was established in 2019 legislative session based on our estimated emissions budget for the initial calendar year, and WCI's annual budget at the time. WCI allocates its costs among participating jurisdictions based on their carbon budgets. Ecology assumes additional start-up costs for systems development, and these are described in the expenditure estimates below.

The first auction would be held in January 2023. A maximum of four allowance auctions would be conducted per year under Section 9. Allowance price containment reserve auctions would be held separately when the settlement prices in the preceding auction approach the adopted auction ceiling price, per Section 13.

Because of the volume of revenue that is estimated to be generated through the auctions, Ecology would contract to have an auditor perform an audit of the auction results and accounting data annually for the first five years of the program. Following the first five years, audits would be conducted every two years. If the State Auditor's Office (SAO) has capacity to support the audits, costs are estimated to be $33,250 per audit. If SAO cannot provide an audit team, costs would be $60,000 per audit. This fiscal note assumes contracts with SAO, $33,250 each year from FY 2022 through FY 2026. Costs are estimated in Object E. Cost estimates were provided by SAO and are based on 350 hours of audit work multiplied by the 2019 billing rate of $95 per hour.

CITSS requires a dedicated staff person for each of the roles of Registrar, Administrator, and Auction Authority. Ecology received information from Quebec on their program staffing, and they have two full-time staff dedicated to each role to ensure that a representative for each role is available to support covered entities year-round during business hours. In addition to the services provided through WCI membership and estimated costs for internal auditing, Ecology estimates that the following staff would be needed to manage CITSS and perform auction administration functions, manage contracts and coordinate with WCI and other jurisdictions.

Environmental Planner 5 – This position would manage auction implementation and coordinate with the auction administrator, the financial services administrator, the auction monitor, and other jurisdictions. This position would attend inter-jurisdictional meetings with WCI. The additional staff time needed is estimated to be 1.0 FTE each year in FY 2022 and ongoing thereafter.

Environmental Specialist 4 - these positions would perform the roles of registrar, auction authority, and auction administrator, which are required year-round. Two staff would be dedicated to each role. The additional staff time needed is estimated to be 6.00 FTE in FY 2023 and ongoing thereafter.

Environmental Specialist 4 – additional staffing at this level would be needed to manage contractual agreements with the auction administrator, financial services administrator, and auction monitor, and to ensure funds are transferred to the state treasurer. The additional staff time needed is estimated to be 0.75 FTE in FY 2022 and ongoing thereafter.

Costs for section 9 and 13 would be paid with Model Toxics Control Account - Operating (MTCA-OP) until December 31, 2022, and with the Climate Investment Account starting January 1, 2023.

Compliance and Market Oversight - Sections 8 and 16

Section 16 would establish four-year compliance cycles.

Section 8 would require Ecology to use a secure, online electronic tracking system to register entities in the state program, issue compliance instruments, facilitate program compliance, and support market oversight.

Ecology estimates the following staff to monitor compliance and support market oversight.

An Environmental Planner 4 would manage the market oversight, monitor market functions and program performance, track auctions, coordinate with other jurisdictions and federal market regulatory agencies, and track compliance. The additional staff time needed is estimated to be 1.0 FTE Environmental Planner 4 each year in FY 2022 and ongoing thereafter.

Costs for sections 8 and 16 would be paid with Model Toxics Control Account - Operating (MTCA-OP) until December 31, 2022, and with the Climate Investment Account starting January 1, 2023.

Allowance Trading and Tracking Systems – Section 8

Section 8 would require a robust on-line system to provide access to data, verification, and routine monitoring. Ecology assumes we would use existing systems accessible through membership with WCI and used by other jurisdictions with which the state may engage in a linkage agreement. We may need to set-up other systems and accounts, such as an allowance retirement tracking system and on-line notification systems.

Ecology would need to engage in contracts with WCI to provide system development to ensure all modules needed to meet monitoring and compliance requirements specified in the bill be built and running smoothly. When WCI first contracted with CARB, full online systems development took nineteen months and cost $1.6 million, per WCI's 2013 budget document. Estimated costs for system modules and start-up costs for Washington's needs are estimated to be $300,000 in FY 2022 and $150,000 in FY 2023 for system development. These estimates align with Oregon's estimated systems start-up costs with WCI.

Ecology estimates the following implementation phases and roles. Detailed position descriptions follow this summary:

Estimated start date: July 1, 2021
The first auction would be in January 2023. This would provide eighteen months total to have the allowance trading and tracking systems ready

Phase 1 – Coordination with WCI, adaptation of systems for Washington, testing, and implementation: July 1, 2019 – December 31, 2022
Project Management: 1.0 FTE IT Application Development - Senior/Specialist (the Washington Office of the Chief Information Officer (OCIO) requires a position at this job classification or equivalent to serve in the project management role for IT projects of this scope)
Technical Expert: 1.0 FTE IT Application Development - Senior/Specialist
Developer: 2.0 FTE IT Application Development - Journey

Phase 2 – Support and troubleshooting for first year of auctions and coordination with QA review contractor: January 1, 2023 – December 31, 2023
Project Management: 1.0 FTE IT Application Development - Senior/Specialist
Technical Expert: 1.0 FTE IT Application Development - Senior/Specialist
Developer: 2.0 FTE IT Application Development – Journey

Phase 3 – Ongoing maintenance, support, and system validation: January 1, 2024 and ongoing
Project Management: 0.5 FTE IT Application Development - Senior/Specialist (for one year – January 1 through December 31, 2024)
Technical Expert: 0.5 FTE IT Application Development - Senior/Specialist (for one year – January 1 through December 31, 2024)
Developer: 1.0 FTE IT Application Development - Journey ongoing

IT Application Development - Senior/Specialist– Project Manager. This position would provide project management for development and deployment of the auction trading and tracking systems, which would require installation and testing of several modules. This position would conduct business analysis and end-user needs, coordinate with other jurisdictions to ensure successful linkages in the development of new trading and tracking modules, and work with WCI to apply their compliance instrument tracking systems to Washington's program during the three phases of systems development, which would focus on registration, verification, and trading. This position would serve as primary contact for systems coordination with WCI and the quality assurance (QA) reviewer described below. The additional staff time needed is estimated to be 1.0 FTE each year in FY 2022 and FY 2023, 0.75 FTE in FY 2024, and 0.25 FTE in FY 2025.

IT Application Development - Senior/Specialist– Technical Expert.   This position will have subject matter expertise on the IT infrastructure and operating platforms needed to support installation of the allowance trading and tracking systems. This position would serve as technical lead for implementing coding and application development, guide installation requirements to support linkage agreements, and design protocols for data testing and verification. This position would serve as technical subject matter experts for any questions from the QA reviewer. The additional staff time needed is estimated to be 1.0 FTE each year in FY 2022 and FY 2023, 0.75 FTE in FY 2024, and 0.25 FTE in FY 2025.

IT Application Development - Journey – Developer and Analyst. These positions would implement coding and application development or installation requirements to support linkage agreements, and would provide ongoing maintenance, support, and validation for WCI's systems and modules, particularly the auction platform and CITSS. The additional staff time needed is estimated to be 2.0 FTE in FY 2022, 1.5 FTE in FY 2023, and 1.0 FTE in FY 2024 and ongoing thereafter.

Because of the scope and scale of this project, Ecology would be required to contract with an OCIO-approved QA reviewer to analyze project management and implementation. Based on pricing for a current project, the contract costs are estimated to be $51,842 in FY 2022 (includes readiness assessment, project QA plan, and seven periodic assessments), $64,680 in FY 2023 (twelve assessments), $43,120 in FY 2024 (eight assessments), and $21,560 in FY 2025 (three assessments and a post implementation report).

In addition to the IT resources, Ecology estimates that an Environmental Specialist 5 would consult with AGO staff and develop procedures for handling and safeguarding confidential and personal information provided by market participants, set up communications and a website, and prepare forms and other documents on the use of the on-line systems by December 31, 2022. The additional staff time needed is estimated to be 0.3 FTE ES5 in FY 2022 and 0.15 FTE ES5 in FY 2023.

AGO support cost assumptions related to consultation for handling and safeguarding confidential and personal information are included in the estimates provided above for initial rulemaking.

All costs in this section would be paid with Model Toxics Control Account - Operating (MTCA-OP) until December 31, 2022, and with the Climate Investment Account starting January 1, 2023.

Environmental Justice and Equity Advisory Panel– Section 22

Section 22 would create an Environmental Justice and Equity Advisory Panel– (Panel), the members of which would be appointed by the Office of Equity.

Ecology assumes that the department would provide staff support and cover meeting costs for the Panel and Board established in these Sections. Staff and other costs are estimated below.

The Policy Manager (WMS 3) position described in the beginning of the expenditures section would support the Panel and provide coordination with tribes, state agencies, and stakeholders as needed.

An Administrative Assistant 4 would arrange meetings, materials and provide administrative support for the Panel. The position would start on January 1, 2022. The staff time needed is estimated to be 0.13 FTE in FY 2022 and ongoing thereafter.

The estimated cost for each meeting is $700, which includes for facility rental and meeting refreshments. Based on an assumption of four meetings a year beginning in FY 2023, total estimated meeting costs would be $2,800 in FY 2023 and ongoing thereafter.

Costs for the support staff and meeting costs would be paid with Model Toxics Control Account - Operating (MTCA-OP) until December 31, 2022, and with the Climate Investment Account starting January 1, 2023.

GHG Reporting Modifications – Sections 5 and 25

Section 5 would encourage Ecology to seek to enter into linkage agreements with other jurisdictions. A linkage agreement would require coordination of several elements of the carbon pollution market program. Ecology would be required to adopt a rule before executing a linkage agreement. For the purposes of this fiscal note, Ecology assumes that we would work toward entering into linkage agreements with other jurisdictions.

Section 25 would modify Greenhouse Gas (GHG) reporting program requirements in RCW 70A.15.2200 to align with the data requirements and coverage of the proposed GHG cap program proposed in section 5.
The cost estimates for these sections are broken into three components: rulemaking costs, IT systems needs, and GHG reporting data needs.

GHG Reporting Rule Updates

Coverage requirements for the proposed carbon market program and data requirements to fulfil future linkage agreements for section 5 would require significant amendments to the existing mandatory GHG emissions reporting rule in order to incorporate data verification requirements and align GHG reporting criteria with those of other states in order to implement linkage agreements in the future. Ecology estimates that this would require complex rulemaking spanning four years. This would provide opportunity for extensive outreach and public comments during the process of revising GHG reporting protocols to incorporate changes in statute and accommodate linkage agreements. The initial rulemaking would start July 1, 2021, and end June 30, 2025 and would need the following staff and resources.

Environmental Planner 3 - the rulemaking lead would coordinate the rulemaking timeline, lead rule development, manage stakeholder engagement, and other tasks as necessary for both rule changes. The additional staff time needed is estimated to be 0.5 FTE in each year from FY 2022 through FY 2025.

Environmental Planner 5 – this position would provide policy and technical expertise to support rulemaking. The additional staff time needed is estimated to be 0.5 FTE in each year from FY 2022 through FY 2025.

Community Outreach and Environmental Education Specialist 3 – this position would provide outreach to ensure that the public is aware of the process and provided opportunities to participate during rulemaking. The additional staff time needed is estimated to be 0.25 FTE in each year from FY 2022 through FY 2025.

The following positions would complete an economic and regulatory analysis of the rule. The additional staff time needed is estimated at
- Economic Analyst 3 at 0.25 FTE in FY 2025;
- Regulatory Analyst 2 at 0.1 FTE in FY 2025.

Ecology would hold six public meetings in FY 2024 and one hearing in FY 2025. Cost estimates include facility rental costs, estimated at $1,000 per meeting.

AGO support cost assumptions are included in the estimates provided above for initial rulemaking.

GHG Reporting IT Systems Needs

Section 25:
In order to pursue a linkage agreement with California, substantial changes to greenhouse gas reporting systems would be needed to align Washington's Greenhouse Gas Reporting Tool (e-GGRT) with California's system (Cal e-GGRT). Ecology's GHG reporting program protocols and systems align with Environmental Protection Agency (EPA) reporting requirements. California's GHG reporting program is based on different criteria and calculation methods. GHG reporting systems would need to be re-configured to accommodate different data requirements to align with California's system. Ecology assumes in this fiscal note that we would be able to

engage in a contract with SAIC, the IT systems contractor that built Cal e-GGRT, and adopt the system for Washington State. If this is not possible, the first and second phases of the timeline described below would need to each be extended by one more year to allow time for Ecology to re-develop the system in-house, and phases one and two would need one more IT Application Development - Journey developer. Under both scenarios, a QA review contract would be required per OCIO for a project of this scale.

Ecology estimates the following implementation phases and roles. Detailed position descriptions follow this summary:

Estimated start date: July 1, 2023, after sufficient rulemaking has been accomplished to incorporate data requirements that align with California's reporting program.
Phase 1 – Coordinate with SAIC, Build, Test, and Implement system – 2 years: July 1, 2023 – June 30, 2024
Project Management: 1.0 FTE IT Application Development - Senior/Specialist (per OCIO requirements)
Technical Expert: 1.0 FTE IT Application Development - Senior/Specialist
Developer: 1.0 FTE IT Application Development - Journey

Phase 2 – Support and troubleshooting for first year of reporting and coordination with QA review coordinator – because the program will also need to provide technical assistance to reporters, the transition for the new system will require more time. This phase is estimated to last two years: July 1, 2024 – June 30, 2026
Project Management: 0.5 FTE IT Application Development - Senior/Specialist
Technical Expert: 0.5 FTE IT Application Development - Senior/Specialist
Developer: 1.0 FTE IT Application Development - Journey

Phase 3 – Ongoing maintenance, support, and system validation. SAIC updates Cal e-GGRT annually, and a developer would be needed to support these updates, in addition to providing ongoing maintenance and troubleshooting: July 1, 2026 and ongoing
Project Management: 0.5 FTE IT Application Development - Senior/Specialist (FY 2027 only)
Technical Expert: 0.5 FTE IT Application Development - Senior/Specialist (FY 2027 only)
Developer: 1.0 FTE IT Application Development - Journey ongoing

IT Application Development - Senior/Specialist– Project Manager. This position would provide project management for development and deployment of e-GGRT changes, which would require installation and testing. This position would conduct business analysis of program operator and end-user needs, coordinate with California Air Resources Board and SAIC. This position would serve as primary contact for the quality assurance (QA) reviewer described below. The additional staff time needed is estimated to be 1.0 FTE in FY 2024 and 0.5 FTE each year from FY 2025 to FY 2027.

IT Application Development - Senior/Specialist– Technical Expert. This position will have subject matter expertise on the IT infrastructure and operating platforms needed to support installation of the new e-GGRT system. This position would serve as technical lead for implementing coding and application development, guide installation requirements to support linkage with California, and design protocols for data testing and verification. This position would serve as technical subject matter experts for any questions from the QA reviewer. The additional staff time needed is estimated to be 1.0 FTE in FY 2024 and 0.5 FTE each year from FY 2025 to FY 2027.

IT Application Development – Journey – Developer. This position would implement coding and application development or installation requirements to implement the new e-GGRT system, and would provide ongoing maintenance, support, and validation. The additional staff time needed is estimated to be 1.0 FTE in FY 2024 and ongoing thereafter.

Ecology assumes a contract with SAIC to support adoption of the CAL e-GGRT system for Washington State. When SAIC contracted with CARB to establish the system, the full development cost was approximately $800,000. Estimated costs for system installation and modifications are estimated to be $200,000 in FY 2024 and $100,000 in FY 2025.

Because of the scope and scale of this project, Ecology would be required to contract with an OCIO-approved QA reviewer to analyze project management and implementation. Based on pricing for a current project, the contract costs are estimated to be $57,192 in FY 2024 (includes readiness assessment, project QA plan, and eight periodic assessments), $53,900 in FY 2025 (ten assessments), $43,120 in FY 2026 (eight assessments), and $32,340 in FY 2027 (five assessments and a post implementation report).

GHG Reporting – Data Collection and Technical Support for Reporters

Section 25 would add electricity suppliers as a new class of reporters and add transportation fuel requirements, which would require data conversion. Because tax records are the most reliable source of information to source emissions data for petroleum emissions, the program would need to add staff capacity with sufficient expertise to analyze tax records and calculate emissions information. A linkage agreement with California would require Ecology to re-assemble the GHG reporting data history and current data to align with California's protocols. Ecology estimates that the following staff would be needed to re-assemble historic data, support testing of the reporting systems platform as it is developed, provide technical support to reporters as reporting criteria and protocols change, and audit GHG data for accuracy.

Environmental Engineer 5 – this position would lead data audits and updates for all non-petroleum-supplier GHG sources, develop and implement GHG calculation updates to support linkage agreements with California, develop audit criteria for third party verifier reports for industrial facilities, and lead data assurance efforts on an ongoing basis. The additional staff time needed is estimated to be 1.0 FTE in FY 2022 and ongoing thereafter.

Environmental Engineer 3 –support GHG calculation updates to support linkage agreements with California, support testing of the new reporting systems platform during development, and audit third party verifier reports for industrial facilities. The additional staff time needed is estimated to be 2.0 FTE in FY 2022 and ongoing thereafter.

Management Analyst 5 – These positions would perform the following functions to support GHG data reporting for petroleum suppliers and third party verification requirements:

-During the first four years, a dedicated position would design GHG calculation protocol and develop a training curriculum for third-party verifiers. Estimated time needed is 1.0 FTE MA5 each year from FY 2022 through FY 2025.

-In order to calculate an accurate allowance budget and adjustments needed to meet future targets, we would need to assemble calculations of current and historical GHG emissions for petroleum suppliers to align with California's protocols. This would require review of tax record data to trace line item transactions associated with delivery of fuel supplies to Washington. In order to protect sensitive information, staff must review these records at fuel suppliers' headquarters offices using the fuel suppliers' systems. The program estimates that fifteen to sixty individual petroleum suppliers would be covered in the program, and a low percentage of covered entities would have headquarters offices in Washington State. Each audit would require at least three weeks for review of transactions associated with fuel supplies to Washington State and calculation of GHG emissions. Estimated time needed is 2.0 FTE MA5 each year in FY 2022 through FY 2025.

-Ecology would need to audit third-party reviews of data on an ongoing basis to ensure that criteria and analysis are accurate; this would include week-long on-site visits with verifiers to observe practices and methods and full-length desk audits each year. Staff would also continue to provide training and certification to third party verifiers on a regular basis to ensure that sufficient qualified verifiers are available to support reporters. Estimated time needed is 2.0 FTE MA5 each year in FY 2026 and ongoing.

The total additional MA5 staff time needed is estimated to be 3.0 FTE in each year from FY 2022 through FY 2025 and 2.0 FTE in FY 2026 and ongoing thereafter.

Travel costs for auditing and technical assistance to petroleum suppliers are indeterminate, estimated between $6,384 to $97,608 per year, based on the following assumptions.

Audits for third-party reviews of data could require one-week on-site visits with verifiers to observe practices and methods. We estimate between fifteen and sixty fuel suppliers would be required to participate in the program. Based on this, we may need to visit between three and twelve suppliers per year over a five-year period. The costs for a one-week visit are:

Per diem: $66 per day x 7 days = $462
Lodging: $161 per night x 6 nights = $966
Vehicle rental: $350 per week = $350
Airfare: $350 roundtrip (average)
Total one week cost: $2,128

Based on these costs, the minimum estimated cost would be $6,384 per year for 3 visits x $2,128 per visit.

Ecology may need to perform full-length desk audits each year. It is assumed that desk audits would require three weeks of in-travel status, costed as follows:

Per diem: $66 per day x 21 days = $1,386
Lodging: $161 per night x 20 nights = $3,220
Vehicle rental: $350 per week x 3 weeks = $1,050
Airfare: $350 roundtrip (average)
Total three week cost: $6,006

Desk audit cost: $6,006 per trip x 12 audits per year = $72,072

The maximum costs estimated would include 12 additional one-week site visits each year costing $2,128 per visit x 12 visits = $25,536 per year.

Some site visits and audits may be performed remotely, depending on company policy and capacity. Based on this, the extent of required travel costs are unknown.

In the early stages of implementation, Ecology would refine our understanding of travel requirements and submit a decision package in first supplemental budget for travel costs if needed.

Costs for section 25 would be paid with Model Toxics Control Account - Operating (MTCA-OP) until December 31, 2022, with the Climate Investment Account from January 1, 2023 through June 30, 2025, and with the Air Pollution Control Account starting July 1, 2025 and ongoing thereafter.

SUMMARY: See attached Expenditure Overview Table for summary of costs by section.

Notes on costs by object:

Salary estimates are current biennium actual rates at Step L.
Benefits are the agency average of 36.7% of salaries.
Professional Services Contracts include $1,535,842 in FY 2022, $1,333,055 in FY 2023, $1,070,312 in FY 2024, $985,460 in FY 2025, 903,620 in FY 2026, and $912,590 in FY 2027.
Goods and Services include the agency average of $4,144 per direct program FTE, plus facility costs for meetings of $17,000 in FY 2022, $12,800 in FY 2023, $4,800 in FY 2024, $11,800 each year in FY 2025 and FY 2026, and $8,800 in FY 2027.
Object E also includes estimated costs for SAO auditing of $33,250 each year FY 2022 through FY 2026.
AAG costs of $61,000 in FY 2022 and ongoing thereafter for AAG consultation for rulemaking and appeals are also included in Object E.
Travel is the agency average of $2,182 per direct program FTE.
Equipment is the agency average of $1,201 per direct program FTE.
Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 27.4% 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 App Development - Journey.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
216-1	Air Pollution Control Account	State	0	0	0	0	2,558,782
23P-1	Model Toxics Control Operating Account	State	6,889,316	3,692,489	10,581,805	0	0
NEW-1	Climate Investment Account	State	0	3,108,580	3,108,580	13,175,340	9,941,385
		Total $	6,889,316	6,801,069	13,690,385	13,175,340	12,500,167

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	37.0	38.9	38.0	39.2	38.2
A-Salaries and Wages	2,870,859	2,932,120	5,802,979	5,968,670	5,746,357
B-Employee Benefits	1,053,607	1,076,095	2,129,702	2,190,505	2,108,919
C-Professional Service Contracts	1,535,842	1,333,055	2,868,897	2,055,772	1,816,210
E-Goods and Other Services	244,728	247,158	491,886	494,343	451,380
G-Travel	70,284	73,778	144,062	148,625	145,089
J-Capital Outlays	38,688	40,605	79,293	81,803	79,855
9-Agency Administrative Overhead	1,075,308	1,098,258	2,173,566	2,235,622	2,152,357
Total $	6,889,316	6,801,069	13,690,385	13,175,340	12,500,167

III. C - Operating FTE 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 2022	FY 2023	2021-23	2023-25	2025-27
ADMINISTRATIVE ASSISTANT 4	56,856	0.6	0.6	0.6	0.6	0.6
COM OUTREACH & ENV ED SP 3	61,224	1.5	1.3	1.4	0.9	0.8
COM OUTREACH & ENV ED SP 4	70,956	1.0	1.0	1.0	1.0	1.0
COMM CONSULTANT 5	84,396	0.5	0.5	0.5	0.5	
ECONOMIC ANALYST 3	82,344		0.5	0.3	0.4	0.4
ENVIRONMENTAL ENGINEER 3	78,408	2.5	2.7	2.6	2.6	2.5
ENVIRONMENTAL ENGINEER 5	105,384	3.3	2.7	3.0	2.6	3.0
ENVIRONMENTAL PLANNER 3	78,408	2.5	1.8	2.2	1.6	1.7
ENVIRONMENTAL PLANNER 4	86,484	1.1	1.1	1.1	1.1	1.1
ENVIRONMENTAL PLANNER 5	95,484	5.3	3.8	4.5	3.9	4.4
ENVIRONMENTAL SPEC 4	70,956	0.8	6.8	3.8	6.8	6.8
ENVIRONMENTAL SPEC 5	78,408	4.3	1.9	3.1	2.3	3.8
FISCAL ANALYST 2		3.2	3.4	3.3	3.4	3.3
IT APP DEVELOP-JOURNEY	96,888	3.6	3.7	3.7	4.0	3.7
IT APP DEVELOP-SR/SPEC	112,176	2.0	2.0	2.0	2.5	1.0
MANAGEMENT ANALYST 5	88,644	3.0	3.0	3.0	3.0	2.0
REGULATORY ANALYST 2	80,292		0.2	0.1	0.2	0.2
WMS BAND 2	95,000	1.1	1.1	1.1	1.1	1.1
WMS BAND 3	112,000	0.8	1.0	0.9	1.0	1.0
Total FTEs		37.0	38.9	38.0	39.2	38.2

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

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.

Ecology would need to establish new rules in the WAC to establish the program requirements, EITE criteria and allocations, and allocations for electricity suppliers for the cap and trade program as specified in sections 6, 8, 9, 10, 11, 12, 13, and 16.

Section 25 would require rulemaking to modify GHG reporting requirements in 173-441 WAC.

SB 5126 Revenue Estimates for Climate Investment Account

1/20/2021

				1st Compliance Period	2nd Compliance Period
Price Containment Reserve:	4%	% no-cost allowances for NG utilities:	15%		
			Offset Allowances:	8%	6%

	CY	Total Allowances (MT CO2e)[1, 7]	Price Containment Reserve[2]	Free Allowances or Direct Allocations (MT CO2e)[3]: EITE	Electricity Suppliers	NG Suppliers	Net Priced Allowances	COVID-19 Overallocations (MT CO2e)[4]	OffSet Credit Allowances[5]	Estimated Allowances Purchased	Floor Price[6]	Estimated Containment Reserve Allowances Purchased at Previous Year's Containment Reserve Price (30%)[2]	Estimated Net Calendar Year Revenue
First Compliance Period	2023	52,855,606	2,114,224	14,555,824	4,159,508	-	32,026,050	4,643,402	2,562,084	24,820,563	$ 20.60		$ 511,305,116
	2024	49,429,215	1,977,169	12,856,000	4,159,508	-	30,436,538	4,097,162	2,434,923	23,904,453	$ 22.09	634,267	$ 527,052,052
	2025	46,002,823	1,840,113	11,261,019	4,159,508	-	28,742,183	3,873,680	2,299,375	22,569,128	$ 23.68	593,151	$ 533,539,020
	2026	42,576,432	1,703,057	9,770,882	4,159,508	-	26,942,985	3,419,632	2,155,439	21,367,914	$ 25.41	552,034	$ 541,902,708
Second Compliance Period	2027	66,475,460	2,659,018	8,984,558	4,159,508	1,355,065	49,317,310	5,178,440	2,959,039	41,179,832	$ 27.27	510,917	$ 1,122,051,334
	2028	59,252,142	2,370,086	8,198,234	4,159,508	1,355,065	43,169,249	4,239,959	2,590,155	36,339,135	$ 29.28	797,706	$ 1,062,382,289
	2029	52,028,825	2,081,153	7,411,910	4,159,508	1,355,065	37,021,189	3,440,392	2,221,271	31,359,525	$ 31.43	711,026	$ 984,171,395
	2030	44,805,507	1,792,220	6,625,586	4,159,508	1,355,065	30,873,128	2,823,060	1,852,388	26,197,680	$ 33.73	624,346	$ 882,246,526
90% of 2030 target:		44,797,500											

Fiscal Year	**Estimated Fiscal Year Revenue for Climate Investment Account**
2022	
2023	$ 255,652,558
2024	$ 519,178,584
2025	$ 530,295,536
2026	$ 537,720,864
2027	$ 831,977,021
2028	$ 1,092,216,811
2029	$ 1,023,276,842
2030	$ 933,208,961

Reduction pathway for entities entering program during first compliance Period: 6.1% of baseline emissions, each year through CY 2030

Reduction pathway for entities entering program during second compliance Period: 12.2% of baseline emissions, each year through CY 2030

Additional Allowances Added in Second Compliance Period[7]

Calendar Year	Transportation Allowances (based on EPA reporting)	Natural Gas Allowances	Electricity (FMD) Allowances	Total
2027	8,230,359	7,931,647	11,163,413	**27,325,419**
2028	7,086,733	6,829,527	9,612,233	**23,528,493**
2029	5,943,107	5,727,408	8,061,052	**19,731,567**
2030	4,799,481	4,625,288	6,509,872	**15,934,641**

1 Total allowances are based on baseline GHG emissions data for 2017 through current and the coverage requirements for the first compliance period. For the first compliance period, transportation fuels, natural gas utitilities, imported electricity are exempt from participation. Allowances decrease by 6.1% of the base emissions value each year for entities participating in the first compliance period and these entities maintain this reduction pathway of 6.1% of base emissions each year through the 2030 compliance year; The entities entering the program in the second compliance period are assumed to maintain business as usual emissions until the start of the second compliance period in CY 2027, and then have a reduction pathway of 12.2% of baseline emissions each year during the second compliance period.

2 A minimum of 4% allowances are to be placed in a price containment reserve to provide lower cost allowances in future years - this estimate assumes that 4% of total allowances would be held in the containment reserve to be available at the current floor price in future years. This estimate assumes that 30% of the previous year's containment reserve allowances will be purchased in the following year. The containment reserve allowances are subtracted from the net purchased allowances.

3 Sections 10, 11, and 12 specify exemptions and no-cost allowance provisions for EITE, electricity suppliers, and natural gas utilities. These no-cost allowances are subtracted from the total allowances for the calendar year. Natural gas no-cost allowances take effect in the second compliance period when natural gas utilities incur a compliance obligation.

4 Based on study published by the Rhodium Group, revenue estimates include an adjustment for potential over-allocation impacts related to the COVID-19 pandemic. The overallocations are calculated by multiplying the total allowances for the year by an overallocation factor (estimated to be 9% in 2023 and decreasing to 6% by 2030). The estimated over-allocations are removed from the net purchased allowances.

5 Section 15 would provide for regulated entities to meet up to 8% of compliance obligations with offset credits in the first compliance period, and up to 6% of compliance obligations in the second compliance period. Offset credits are removed from the net purchased allowances.

6 Allowances are assumed to be purchased at floor price to provide a conservative revenue estimate. Actual allowance pricing will be driven by supply of, and demand for, allowances. Floor prices are based on the state of California's projected floor prices, which are estimated to increase by 7% each year.

7 The second compliance period will add compliance obligations for transportation fuels, natural gas utitilities, and imported electricity. The baseline allowances for these entities are based on estimated CO2e emissions, adjusted for the compliance requirements of the first compliance period, assuming that these entities would voluntarily reduce emissions prior to having a compliance obligation. The addition of these emissions adds roughly 46.7 MMT CO2e to the total allowances for compliance year 2027.

Implementing SB 5126, The Climate Commitment Act: Department of Ecology Fiscal Estimates Expenditure Overview

OPERATING BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Climate Commitment Support - Sections 3 and 4	**138,528**	**138,524**	**138,528**	**138,528**	**138,528**	**138,528**
Total Costs - 23P-1 MTCA-Op	138,528	69,262				
Total Costs - NEW-1 Climate Investment Account		69,262	138,528	138,528	138,528	138,528
Total FTEs	1.2	1.2	1.2	1.2	1.2	1.2
Total Staff costs	138,528	138,524	138,528	138,528	138,528	138,528
Ecology Programs Coordination and Communications - Multiple Sections	**533,267**	**583,914**	**583,912**	**583,912**	**506,657**	**506,657**
Total Costs - 23P-1 MTCA-Op	533,267	291,957				
Total Costs - NEW-1 Climate Investment Account		291,957	583,912	583,912	506,657	506,657
Total FTEs	3.7	4.0	4.0	4.0	3.5	3.5
Total Staff costs	533,267	583,914	583,912	583,912	506,657	506,657
Professional Services Contracts						
Meeting costs						
Initial Requirements and Criteria - Rulemaking for Sections 6, 7, 8, 9, 10, 11, 12, 13, 14, 18, and 19	**1,445,089**	**535,176**	**61,000**	**1,215,477**	**1,215,477**	**1,267,947**
Total Costs - 23P-1 MTCA-Op	1,445,089	504,676				
Total Costs - NEW-1 Climate Investment Account		30,500	61,000	1,215,477	1,215,477	1,267,947
Total FTEs	8.6	3.0		8.5	8.5	8.9
Total Staff costs	1,172,089	388,301		1,150,477	1,150,477	1,202,947
Professional Services Contracts	200,000	80,875				
Meeting costs	12,000	5,000		4,000	4,000	4,000
AAG Support for Rulemaking (all sections)	61,000	61,000	61,000	61,000	61,000	61,000
Identify and Implement Criteria and Allocations for EITE, Electricity Suppliers, and Natural Gas Utilities - Sections 10, 11, and 12	**438,425**	**600,955**	**297,281**	**600,028**	**650,528**	**292,512**
Total Costs - 23P-1 MTCA-Op	438,425	269,505				
Total Costs - NEW-1 Climate Investment Account		331,450	297,281	600,028	650,528	292,512
Total FTEs	2.8	3.5	2.1	3.9	3.9	1.9
Total Staff costs	382,925	491,955	296,281	555,028	555,028	260,512
Professional Services Contracts	53,500	107,000		40,000	90,500	30,000
Meeting costs	2,000	2,000	1,000	5,000	5,000	2,000

Implementing SB 5126, The Climate Commitment Act: Department of Ecology Fiscal Estimates Expenditure Overview

OPERATING BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Implement a Carbon Market for Washington - Sections 8, 9, 13, and 16	**2,386,909**	**3,014,743**	**2,631,994**	**2,319,415**	**2,196,411**	**2,163,161**
Total Costs - 23P-1 MTCA-Op	2,386,909	1,593,177				
Total Costs - NEW-1 Climate Investment Account		1,421,566	2,631,994	2,319,415	2,196,411	2,163,161
Total FTEs	8.1	14.9	13.5	11.8	11.2	11.2
Total Staff costs	1,231,817	1,996,813	1,785,624	1,494,605	1,393,161	1,393,161
Professional Services Contracts	1,121,842	984,680	813,120	791,560	770,000	770,000
SAO Services	33,250	33,250	33,250	33,250	33,250	
Implement Auctions - Sections 9 and 13	***1,075,396***	***1,862,000***	***1,862,002***	***1,862,002***	***1,862,002***	***1,828,752***
Total Costs - 23P-1 MTCA-Op	*1,075,396*	*931,000*				
Total Costs - NEW-1 Climate Investment Account		*931,000*	*1,862,002*	*1,862,002*	*1,862,002*	*1,828,752*
Total FTEs	*2.0*	*8.9*	*8.9*	*8.9*	*8.9*	*8.9*
Total Staff costs	*272,146*	*1,058,750*	*1,058,752*	*1,058,752*	*1,058,752*	*1,058,752*
Professional Services Contracts	*770,000*	*770,000*	*770,000*	*770,000*	*770,000*	*770,000*
SAO Services	*33,250*	*33,250*	*33,250*	*33,250*	*33,250*	
Compliance and Market Oversight - Sections 8 and 16	***158,145***	***158,146***	***158,145***	***158,145***	***158,145***	***158,145***
Total Costs - 23P-1 MTCA-Op	*158,145*	*79,073*				
Total Costs - NEW-1 Climate Investment Account		*79,073*	*158,145*	*158,145*	*158,145*	*158,145*
Total FTEs	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*
Total Staff costs	*158,145*	*158,146*	*158,145*	*158,145*	*158,145*	*158,145*
Professional Services Contracts						
AAG Support for Rulemaking						
Allowance Trading and Tracking Systems & Confidentiality - Section 8	***1,153,368***	***994,597***	***611,847***	***299,268***	***176,264***	***176,264***
Total Costs - 23P-1 MTCA-Op	*1,153,368*	*583,104*				
Total Costs - NEW-1 Climate Investment Account		*411,493*	*611,847*	*299,268*	*176,264*	*176,264*
Total FTEs	*5.0*	*4.8*	*3.5*	*1.7*	*1.2*	*1.2*
Total Staff costs	*801,526*	*779,917*	*568,727*	*277,708*	*176,264*	*176,264*
Professional Services Contracts	*351,842*	*214,680*	*43,120*	*21,560*		

Implementing SB 5126, The Climate Commitment Act: Department of Ecology Fiscal Estimates Expenditure Overview

OPERATING BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Offset Protocols - Section 15	**727,738**	**699,200**	**417,218**	**299,190**	**299,190**	**532,489**
Total Costs - 23P-1 MTCA-Op	727,738	349,100				
Total Costs - NEW-1 Climate Investment Account		350,100	417,218	299,190	299,190	532,489
Total FTEs	4.2	3.9	3.1	2.1	2.1	3.4
Total Staff costs	564,238	535,700	416,218	299,190	299,190	452,239
Professional Services Contracts	160,500	160,500				80,250
Meeting costs	3,000	3,000	1,000			
Climate Investment Account - Section 20						
Total Costs - 23P-1 MTCA-Op						
Total Costs - NEW-1 Climate Investment Account		Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Total FTEs		Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Total Staff costs		Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Professional Services Contracts						
AAG Support for Rulemaking						
Environmental Justice and Equity Advisory Panel – Section 22	**7,459**	**16,651**	**16,650**	**16,650**	**16,650**	**16,650**
Total Costs - 23P-1 MTCA-Op	7,459	8,859				
Total Costs - NEW-1 Climate Investment Account		7,792	16,650	16,650	16,650	16,650
Total FTEs	0.1	0.2	0.2	0.2	0.2	0.2
Total Staff costs	7,459	13,851	13,850	13,850	13,850	13,850
Meeting costs		2,800	2,800	2,800	2,800	2,800

Implementing SB 5126, The Climate Commitment Act: Department of Ecology Fiscal Estimates Expenditure Overview

OPERATING BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GHG Reporting Changes – Section 25 - total costs of components below	**1,211,901**	**1,211,906**	**2,057,133**	**1,798,424**	**1,284,781**	**1,274,001**
Total Costs - 23P-1 MTCA-Op	1,211,901	605,953				
Total Costs - 216-1 APCA					1,284,781	1,274,001
Total Costs - NEW-1 Climate Investment Account		605,953	2,057,133	1,798,424		
Total FTEs	8.4	8.4	11.8	11.1	8.1	8.1
Total Staff costs	1,211,901	1,211,906	1,793,941	1,643,524	1,241,661	1,241,661
Professional Services Contracts			263,192	154,900	43,120	32,340
GHG Reporting Changes – Rulemaking	***100,579***	***100,580***	***106,579***	***154,049***		
Total Costs - 23P-1 MTCA-Op	*100,579*	*50,290*				
Total Costs - 216-1 APCA						
Total Costs - NEW-1 Climate Investment Account		*50,290*	*106,579*	*154,049*		
Total FTEs	*0.9*	*0.9*	*0.9*	*1.3*		
Total Staff costs	*100,579*	*100,580*	*100,579*	*153,049*		
Meeting costs			*6,000*	*1,000*		
GHG Reporting Changes – Align GGRT with California's System			***839,232***	***533,053***	***422,273***	***411,493***
Total Costs - 23P-1 MTCA-Op						
Total Costs - 216-1 APCA					*422,273*	*411,493*
Total Costs - NEW-1 Climate Investment Account			*839,232*	*533,053*		
Total FTEs			*3.5*	*2.3*	*2.3*	*2.3*
Total Staff costs			*582,040*	*379,153*	*379,153*	*379,153*
Professional Services Contracts			*257,192*	*153,900*	*43,120*	*32,340*
GHG Reporting Changes – Reassemble Data, Collect and Verify Data, and Provide Support for New Reporters	***1,111,322***	***1,111,326***	***1,111,322***	***1,111,322***	***862,508***	***862,508***
Total Costs - 23P-1 MTCA-Op	*1,111,322*	*555,663*				
Total Costs - 216-1 APCA					*862,508*	*862,508*
Total Costs - NEW-1 Climate Investment Account		*555,663*	*1,111,322*	*1,111,322*		
Total FTEs	*7.5*	*7.5*	*7.5*	*7.5*	*5.8*	*5.8*
Total Staff costs	*1,111,322*	*1,111,326*	*1,111,322*	*1,111,322*	*862,508*	*862,508*

ECOLOGY TOTAL OPERATING FTEs	**37.0**	**39.1**	**35.9**	**42.6**	**38.4**	**38.1**
ECOLOGY TOTAL OPERATING EXPENDITURES	**6,889,316**	**6,801,069**	**6,203,716**	**6,971,624**	**6,308,222**	**6,191,945**

*Total FTEs include 0.15 FTE administrative overhead. Staff costs include salary and benefits, travel, equipment,

Implementing SB 5126, The Climate Commitment Act: Department of Ecology Fiscal Estimates Expenditure Overview

OPERATING BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027

CAPITAL BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Climate Investment Account Capital Projects - Section 20		**Indeterminate**	**Indeterminate**	**Indeterminate**	**Indeterminate**	**Indeterminate**
Total Costs - NEW-1 Climate Investment Account		Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Fiscal Note Totals - Operating Summary by Account	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Total Costs - 23P-1 MTCA-Op	6,889,316	3,692,489				
Total Costs - 216-1 APCA					1,284,781	1,274,001
Total Costs - NEW-1 Climate Investment Account		3,108,580	6,203,716	6,971,624	5,023,441	4,917,944
Grand Total	***6,889,316***	***6,801,069***	***6,203,716***	***6,971,624***	***6,308,222***	***6,191,945***

Fiscal Note Totals - Operating Summary by Cost Category	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Professional Services Contracts	1,535,842	1,333,055	1,076,312	986,460	903,620	912,590
AAG Support for Rulemaking (all sections)	61,000	61,000	61,000	61,000	61,000	61,000
Meeting costs	17,000	12,800	4,800	11,800	11,800	8,800
SAO Services	33,250	33,250	33,250	33,250	33,250	
Total Staff costs	5,242,224	5,360,964	5,028,354	5,879,114	5,298,552	5,209,555
Grand Total	***6,889,316***	***6,801,069***	***6,203,716***	***6,971,624***	***6,308,222***	***6,191,945***

Fiscal Note Estimated Revenue	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
216-1 Air Pollution Control Account - Greenhouse Gas Reporting Revenue					1,284,781	1,274,001
NEW-1 Climate Investment Account - Climate Investment Act, Carbon Market Revenue		255,652,558	519,178,584	530,295,536	537,720,864	831,977,021
Grand Total		***255,652,558***	***519,178,584***	***530,295,536***	***539,005,645***	***833,251,022***

Individual State Agency Fiscal Note

Bill Number: 5126 SB	Title: Climate commitment act	Agency: 468-Environmental and Land Use Hearings Office

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

		FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.0	0.0	0.0	0.5	0.5
Account						
General Fund-State	001-1	0	0	0	186,000	186,000
	Total $	0	0	0	186,000	186,000

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:

[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:	Kim Cushing	Phone: (360) 786-7421	Date: 01/08/2021
Agency Preparation:	Nina Carter	Phone: 360 664-9171	Date: 01/27/2021
Agency Approval:	Nina Carter	Phone: 360 664-9171	Date: 01/27/2021
OFM Review:	Lisa Borkowski	Phone: (360) 902-0573	Date: 01/27/2021

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.

The Climate Commitment Act institutionalizes and operationalize greenhouse gas limits by expressly providing authority under chapter 70A.15 RCW, the Clean Air Act. It establishes emission standards and creates a cap on greenhouse gas emissions as part of a comprehensive state climate, energy, and resilience program.

Sec. 3-4 establish definitions and elements of the program.

Sec. 4 establishes a Climate Commitment Task Force.

Sec. 5 establishes a cap on emissions.

Sec. 6-8 creates the program's budget and timelines, who is covered and requirements of participants.

Sec. 9-12 allows Ecology to establish auctions to sell greenhouse gas allowances, for emission-sensitive, trade exposed industry allowances, for electric utility allowances and for natural gas companies.

Sec. 13-14 Ecology must establish an emissions containment reserve and set an emissions containment reserve trigger price by rule. It must set an auction floor price and schedule to increase the price in its rules.

Sec. 15-16 Ecology must set by rule offset projects and securing offset credits that may be used to meet a portion of a covered or opt-in entity's compliance obligation under section 16.

Sec. 17. ENFORCEMENT and APPEALS. (1) All covered and opt-in entities are required to submit compliance instruments in a timely manner to meet the entities' compliance obligations and shall comply with all requirements for monitoring, reporting, holding, and transferring emission allowances and other provisions of this chapter. All appeals of orders and penalties issued under this chapter must be to the pollution control hearings board under chapter 43.21B RCW.

Sec. 18 Links Ecology's program with other jurisdictionst.

Sec. 19-20 Requires Ecology to adopt rules, a climate investment account.

Sec. 21-23 Requires Ecology to conduct an environmental justice (EJ) analysis and to work with an EJ advisory committee and to work with tribes before allocating funding.
Sec. 24-26 amends existing law to match new program.

Sec. 27-31 implementing timelines and provisions if Ecology's rules expire.

Assumptions on fiscal impact to PCHB:

The PCHB is currently handling 76 active cases arising from permits and enforcement actions by a variety of state or local agencies. These cases are heard and managed by 3 board members and 2 administrative appeals judges. Of the 76 cases, 29 (40% of the workload) are air pollution cases.

At present, due to Coronavirus, the PCHB has postponed several hearings. Also, many of the cases involve complicated matters or large projects that require extra effort to resolve. The PCHB is now scheduling hearings a year in advance for cases that normally could have been heard within 6 months.

If the Department of Ecology fully enforces SB 5126, PCHB assumes an increase of at least 6-8 new air pollution cases (under Section 17) per year in addition to its current workload of 29 air pollution cases. Each case would require at least 60 days of staff time to process, including conducting hearings and writing decisions.

PCHB also assumes the new requirements under SB 5126 will result in cases of "first impression," which will require additional time to analyze and resolve.

PCHB predicts it will require an additional .5 FTE to address the new cases arising from SB 5126. The additional costs are shown below in Part III.

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.

To accommodate the increased workload, it is assumed the agency will need to hire a half-time administrative appeals judge on an on-going basis at a salary rate of $100,000 per year. The position will qualify for benefits estimated at $22,000 per year. The goods and services estimate includes costs such as communications, supplies, training, data processing, and personnel processing costs. The travel cost estimate assumes four days per year at the low cost per diem rates, mileage, and miscellaneous travel costs. On-time costs include furniture, phone, and computer equipment for the new position.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	0	0	0	186,000	186,000
		Total $	0	0	0	186,000	186,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years				0.5	0.5
A-Salaries and Wages				100,000	100,000
B-Employee Benefits				44,000	44,000
C-Professional Service Contracts					
E-Goods and Other Services				40,000	40,000
G-Travel				2,000	2,000
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	0	0	186,000	186,000

III. C - Operating FTE 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 2022	FY 2023	2021-23	2023-25	2025-27
Administrative Appeals Judge	100,000				0.5	0.5
Total FTEs					0.5	0.5

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5126 SB	**Title:** Climate commitment act

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

Legislation Impacts:

- [X] Cities: Municipal electric producers/suppliers, natural gas suppliers, and landfills emitting more than 25,000 metric tons of carbon dioxide equivalent annually would have to comply with the provisions of Ecology's cap on greenhouse gases program.
- [X] Counties: Publicly-owned electric producers/suppliers and county landfills emitting more than 25,000 metric tons of carbon dioxide equivalent annually would have to comply with the provisions of Ecology's cap on greenhouse gases program
- [X] Special Districts: Public utility districts emitting more than 25,000 metric tons of carbon dioxide equivalent annually would have to comply with the provisions of Ecology's cap on greenhouse gases program.
- [ ] Specific jurisdictions only:
- [X] Variance occurs due to: Covered entities will have varying amounts of carbon dioxide equivalent emissions that exceed the 25,000 metric ton threshold and the costs associated with limiting these emissions would also have considerable variance.

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [X] Legislation provides local option: Other greenhouse gas emitters may opt in to Ecology's cap on greenhouse gases program but would not receive an allocation of allowances outlined in Sec. 10 through 12 of this legislation.
- [X] Key variables cannot be estimated with certainty at this time: Different tier prices in the annual allowance price containment reserve auctions (through the emissions containment reserve withholdings); allocation of allowances set by Ecology Commerce for electricity utilities; allocation of allowances set by the Ecology and the Utilities and Transportation Commission for natural gas utilities.

Estimated revenue impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Jordan Laramie	Phone: 360-725-5044	Date: 01/18/2021
Leg. Committee Contact: Kim Cushing	Phone: (360) 786-7421	Date: 01/08/2021
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/18/2021
OFM Review: Lisa Borkowski	Phone: (360) 902-0573	Date: 01/18/2021

Part IV: Analysis

A. SUMMARY OF BILL

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

This legislation would create the Washington Climate Commitment Act and would grant additional statutory authority to the Department of Ecology (Ecology) to institute and adopt greenhouse gas (GHG) limits under the provisions of the Clean Air Act (RCW 70A.15). Limits to GHG emissions would include enacting emissions standards and establish a GHG emissions cap-and-trade program as part of the state's climate, energy, and resiliency program. The Washington Climate Commitment Act also changes emissions definitions in the Washington Clean Air Act.

Sec. 2: Definitions
(28) "First jurisdictional deliverer" means the first person over which the state of Washington has jurisdiction that generates or procures electricity for use within the state, and delivers the electricity to the first point of delivery into the state.
(40) "Person" from RCW 70A.15.2200(5)(h)(iii) means, "(A) An owner or operator, as those terms are defined by the United States Environmental Protection Agency in its mandatory greenhouse gas reporting regulation in 40 C.F.R. Part 98, as adopted on September 22, 2009; and (B) a supplier.

Sec. 3: Climate Commitment
(1) The governor must establish a comprehensive program to implement the state's climate commitment, to create a coordinated and strategic statewide approach to climate resilience, and to build an equitable and inclusive clean energy economy. (2)(f) The program must be developed and implemented in consolation and collaboration with all levels of government and civil society.

Sec. 5 & 6: Cap on Greenhouse Gas Emissions Program, Compliance Timeline, and Budget Determination.
Sec. 5 would authorize Ecology to implement a cap of GHGs from covered entities, and create a program to track, verify, and enforce compliance of the cap on GHG emissions that are created by covered entities. Sec. 6 establishes the program start date as January 1, 2023, and would use the total anthropogenic GHG reported in the state from 2017 to 2021 as the basis for the first compliance period. The first compliance period of the program begins calendar year 2023 through 2026; the second compliance period is calendar year 2027 through 2030, the third compliance period runs from calendar year 2031 to 2040. The budget for the program's allowances must be established no later than October 1 of the year preceding the start of a new compliance period.

Sec. 7: Program Coverage
Details what emission thresholds qualify a person as a covered entity and are required to report to Ecology within the Cap on GHG Emissions Program from 2017 to 2025. This section also stablishes emissions exemptions for specific types of energy sources.
A person is a covered entity as of the beginning of the first compliance period (CY2023 through CY2026) and all subsequent compliance periods if:
--(1)(a) From 2017 to 2021, where the person operates a facility that produces emissions equal to, or exceeding, 25,000 mtCO2e.
--(1)(b) From 2017 to 2021, a person is considered a covered entity, where the person generates electricity in the state and emissions associated with this generation equals or exceeds 25,000 mtCO2e.

A person is a covered entity as of the beginning second compliance period (CY2027 through CY2030) and all subsequent compliance periods if:
--(2)(a) From 2023 to 2025, a person is considered a covered entity, where the person is a first jurisdictional deliverer bringing electricity into the state and the cumulative annual total of emissions associated with imported electricity into the state from specific or unspecified sources or exceeds 25,000 mtCO2e. For a specific source, the person must have either full or partial ownership in the facility, or a written power contract to procure electricity at the facility, at the time of electricity procurement.
--(2)(c) From 2023 through 2025, a person is considered a covered entity, where the person operates a facility and is a direct purchaser of electricity from a federal power market agency or from a joint operating entity. The associated emissions from both the facility and the purchased electricity equals or exceeds 25,000 mtCO2e.

Sec. 8 Requirements
(1) All covered entities must register with Ecology to participate with the program. (3) A person responsible for GHG emissions, but who is not considered a covered entity, may voluntarily participate in the program by registering as an opt-in entity. An opt-in entity is not eligible to receive allowances directly distributed under
Sec. 10, 11 or 12 of this act.

Sec. 11: Allocation of Allowances to Electric Utilities
(2) In order to mitigate the impact on rates or charges on citizens of the state for electricity services, Ecology and the Department of Commerce (Commerce) would develop rules by Oct. 1, 2022, for allocating allowances at no cost to covered entities that are electricity

generators owned by, or under contract with, a consumer-owned or investor-owned electric utilities. (2)(a) By Oct. 1, 2026, Ecology would adopt rules for allocating allowances at no cost to first jurisdictional deliverers of electricity that are also consumer-owned utilities with a clean energy implementation plan.

Sec. 12: Allocation of Allowances to Natural Gas Companies
(1) In order to mitigate the impact on natural gas utilities that provide fuel to low-income customers, Ecology and the Utilities and Transportation Commission (UTC) would determine the quantity of the allocation allowances for these low-income customer's usage. The allocation allowance would be sustained over the course of the compliance period. This allowance would be set and determined by Ecology and UTC by January 1 of the second compliance period, and the beginning of each compliance period thereafter.

Sec. 15: Offsets
(1) Ecology must create rules for offset projects and securing offset credits that maybe be used to meet a portion of a covered or opt-in entity's compliance obligations under Sec. 16 of this legislation. (2)(a) Offset projects must be located in a jurisdiction with which Ecology has entered into a linkage agreement; (b)(i) results in real, permanent, quantifiable, verifiable, and enforceable GHG reductions or removals; (c) have been certified by a recognized registry within two-years prior to the effective date of this legislation. 75% of a covered or opt-in entity's compliance instruments in the first two compliance periods must be from projects that provide direct environmental benefits in Washington State. During the first compliance period, 8% of the covered entity's compliance instruments may be made-up of offsetting credits; during the second compliance period, offsetting credits can only make up 6% of the covered entity's compliance instrument make-up.

Sec. 16: Compliance Obligations
(1) A covered or opt-in entity has a compliance obligation for its emissions during each four-year compliance period, starting Jan. 1, 2023. A covered or opt-in entity must transfer a number of compliance instruments equal to their allocated allowances under Sec. 5 of this act, by November 1 of each calendar year in which a covered or opt-in entity has a compliance obligation. (3) A covered or opt-in entity submitting insufficient compliance instruments needed to meet their compliance obligation would be subject to a penalty as provided in Sec. 17 of this act.

Sec. 17: Enforcement
(3) If a covered or opt-in entity fails to submit penalty allowances as required, Ecology may issue a penalty of up to $10,000 per day per violation, or both, for failure to submit penalty allowances. Ecology may issue a penalty up to $50,000 per day per violation for violations of Sec. 9 (8)(a)-(e) of this act.

Sec. 24: Amends RCW 70A.15.1030 (Washington Clean Air Act Definitions) to include new definitions for "emission," "emission standard," and "emission limitation," as applied to greenhouse gases as defined in RCW 70A.45.010, Limiting Greenhouse Gases. It would include indirect emissions of GHG resulting from production or distribution of petroleum, natural gas, or other products where the release of air contaminants into the ambient air occurs during the consumption, use, combustion, or oxidation of the products.

Sec. 25: Amends RCW 70A.15.2200 (Washington Clean Air, Act Air Pollution Control Authority) to include that Ecology must adopt rules requiring persons to report emissions of GHG, where those emissions from electricity sold in Washington by a single supplier meets or exceeds 10,000 mtCO2e annually. These amended rules must support the implementation of the program established in Sec. 5 of this legislation.
--(5)(b)(i) Ecology may include additional gases to the definition of "greenhouse gas" if the gas has been included in external GHG emission trading program where Washington has a linkage agreement in effect, subject to Sec. 18 of this act.
--(5)(c)(i)(B) Ecology must review and update its rules whenever needed to ensure consistency with emissions reporting requirements for jurisdictions with a linkage agreement pursuant to Sec. 18 of this legislation.

Sec. 29: Sec. 5 through 18 of this act, as well as any rules adopted by Ecology to implement the program established under these sections, expires December 31, 2055.
Sec. 30: The provisions of this act would take effect immediately.
Sec. 31: If any provision of this act or its application to any person or circumstance is held invalid, it does not affect the remainder of the act or the application of the provisions to other persons or circumstances.

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 legislation would have indeterminate local government expenditure impacts on municipal and quasi-municipal utilities, municipal and county landfills, and potentially several types of special purpose districts. In total, there are 24 public utility districts (PUDs), 36 municipal electric utilities, four natural gas utilities, eight municipal- or county-owned landfills, and potentially four solid waste disposal districts that this legislation would affect. Compliance obligations for affected local governments would begin in calendar year (CY) 2023 for electrical utilities and facilities that emit more than 25,000 mtCO2e annually. Natural gas utilities emitting more than 25,000 mtCO2e annually would have a compliance obligation starting in CY2027.

These costs would be dependent on rules established by Ecology, the governor's comprehensive climate plan and consultation with impacted local governments, and the dollar value of compliance instruments to covered entities for their compliance to Ecology's GHG cap-and-trade program. These costs are potentially offset by the allocation of allowances developed by Ecology and Commerce for electricity utilities in the first and all subsequent compliance periods, and Ecology and the Utility and Transportation Commission (UTC) for natural gas utilities in the second and all subsequent compliance periods.

ECOLOGY'S ASSUMPTIONS
Floor Price per Allowance (MMT CO2e)
CY2023 - $20.60
CY2024 - $22.09
CY2025 - $23.68
CY2026 - $25.41
CY2027 - $27.27

CYs 2023 through 2026 – The reduction pathway would be 6.1% reduction of CO2e from the previous calendar year. In CY 2023, allowances would be 6.08% lower than the average of each entity's CO2e emissions for 2017 through 2021, based on Greenhouse Gas reporting to Ecology.

CYs 2027 through 2030 – The reduction curve would be 12.2% - CY 2027 allowances would be 12.2% lower than CY 2026 allowances.

CONSULTATION WITH THE GOVERNOR'S OFFICE FOR COMPREHENSIVE CLIMATE PLAN
Sec. 3 states that local governments would be involved with the creation of the governor's comprehensive climate plan. The number of local government jurisdictions, planning staff hours, and consultation time required for these meetings is unknown and assumed to be voluntary.

COMPLIANCE INSTRUMENTS REQUIRED FOR COVERED ENTITIES EMITTING GHGS
Sec. 7 would require of owners, operators, and suppliers of electricity, natural gas, or who have facilities that emit more than 25,000 mtCO2e per year to register in the Cap on GHG Emissions Program. Ecology's Greenhouse Gas Reporting Program lists electric power plants, natural gas suppliers, and landfills as among the 120 entities in Washington State that reported more than 25,000 mtCO2e in 2018. PUDs, municipal electric and natural gas utilities, along with municipal and county landfills would be affected by this legislation. However, the extent of the costs to achieve compliance for these covered entities is not currently known.

Costs to covered entities would depend on either the dollar value of offsetting compliance projects constructed, or the dollar value of offsetting credits purchased at auction, which would be required to meet the covered entity's offsets for compliance obligations in Sections 15 and 16. Sec. 15 states that 75% of a covered entity's compliance instruments should be through the construction of projects with real, permanent, quantifiable, verifiable, and enforceable benefits. Offsetting credits purchased at auction should be no more than 8% of a covered entity's total compliance instruments in the first compliance period, and 6% in the second compliance period, of a covered entity's total compliance instruments. Compliance measure costs will vary greatly between effected covered entities and depend on their annual mtCO2e emissions.

OFFSETING COMPLIANCE COSTS FOR ELECTRICITY AND NATURAL GAS COVERED ENTITIES
Compliance costs may be offset for electric and natural gas utilities because the allocation of allowances detailed in Sec. 11 and Sec. 12 would be issued to mitigate the potential increased rates for customers that the utilities serve. Any spending in excess of the allocation allowance required to achieve compliance within Ecology's GHG cap-and-trade Program would be the costs of the program to these covered entities.

ENFORCEMENT PENALTIES
For the purposes of this fiscal note, Ecology assumes the use of orders and the threat of penalties to be sufficient to achieve compliance. By extension, the Local Government Fiscal Note Program (LGFN) assumes no penalties would be assessed by local governments per Sec. 17 of this act.

OPT-IN PROVISION
Sec. 8 states that emitters of carbon dioxide may opt-in to the provisions of this legislation if they choose enter into the cap on GHG program created by Ecology. Opt-in participants to this legislation would not be provided with an allocation of allowances through rules established by Commerce.

BACKGROUND:
In Association of Washington Business v. Washington Department of Ecology (No. 12 95885-8, January 16, 2020), the Washington Supreme Court held that certain regulations establishing emission standards for producers and distributors of fossil fuels were invalid because Ecology lacked sufficient statutory authority to establish emission standards for indirect emissions associated with the combustion of the fuel produced or distributed by those particular entities.

In 2018, Ecology's GHG Reporting Program listed 120 entities in Washington State who reported emissions greater than 25,000 metric tons of CO2 equivalent (mtCO2e), and a total of 64.819 million mtCO2e between all reported sources. The 120 entities represent 98.55% of all emissions reported to Ecology's GHG Reporting Program. Of this total, 51.89% of these mtC02e emission were from transportation fuel supplier sources, 16.82% was from power plant sources, 9.70% was from refineries, and the remaining contributing sources were from chemical, food production, government, metal, mineral, petroleum and natural gas, pulp and paper, waste, and wood product sources.

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.

Local governments may experience indeterminate increases in revenues from program funds through the allocation of allowances and the Climate Investment Account in Sec. 20. While local governments may receive grants from the Climate Investment Account the funding allocations are indeterminate at this time. The local government impact on energy producers and suppliers, which would be depend on the allocation of allowances set by Ecology and Commerce for the electricity utilities, and Ecology and the UTC for natural gas utilities. This amount is currently unknown.

ALLOWANCE ALLOCATIONS FOR ELECTRIC UTILITIES
There are 28 PUDs and 36 municipal electrical utilities that operate in Washington that this legislation could affect. The revenue created by this allocation of allowances is not yet known and would be equal to an amount determined by Ecology and Commerce starting October 1, 2022 for the start of the first compliance period beginning in CY2023; and October 1, 2026 for the start of the second compliance period starting CY2027.

ALLOWANCE ALLOCATIONS FOR NATURAL GAS COMPANIES
There are four natural gas utilities that operate in Washington that this provision would effect. The revenue created by this allocation of allowances is not yet known and would be equal to costs that these utilities incur to provide fuel for low-income customers. Ecology assumes that 15% of allowance would be provided at no-cost to natural gas utilities beginning in CY2027 and would be determined by Ecology and the UTC by January 1, 2027.

Sources:
Department of Ecology
Department of Ecology, Facility Greenhouse Gas Reports 2019
Washington State Association of Counties
MRSC, Special Purpose Districts
National Conference of State Legislatures, Greenhouse Gas Emissions Reduction Targets and Market-Based Policies
LGFN, SB 5981, 2019
Department of Ecology, SB 5981, 2019