Multiple Agency Fiscal Note Summary

Bill Number: 5373 SB	Title: Carbon Pollution

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
Bond Retirement and Interest	0	0	988,600,000	0	0	988,600,000	0	0	988,600,000
Office of State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Revenue	0	0	599,000,000	0	0	3,173,800,000	0	0	3,606,500,000
Department of Licensing	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total $	**0**	**0**	**1,587,600,000**	**0**	**0**	**4,162,400,000**	**0**	**0**	**4,595,100,000**

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
Bond Retirement and Interest	.0	0	0	38,407,385	.0	0	0	168,251,061	.0	0	0	302,204,987
Office of the Governor	1.0	0	0	339,312	1.0	0	0	321,512	1.0	0	0	421,512
Office of Lieutenant Governor	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of State Treasurer	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Commerce	Fiscal note not available											
Department of Revenue	5.1	1,095,200	1,095,200	1,496,700	5.3	0	0	1,200,600	5.2	0	0	1,173,000
Department of Licensing	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Department of Health	.1	20,000	20,000	20,000	.0	14,000	14,000	14,000	.0	14,000	14,000	14,000
Washington State University	.3	150,000	150,000	150,000	.3	150,000	150,000	150,000	.3	150,000	150,000	150,000
Department of Transportation	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Ecology	3.3	951,456	951,456	1,122,099	1.3	0	0	348,872	1.3	0	0	359,898
Department of Ecology	In addition to the estimate above,there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Total $	**9.8**	**2,216,656**	**2,216,656**	**41,535,496**	**7.9**	**164,000**	**164,000**	**170,286,045**	**7.8**	**164,000**	**164,000**	**304,323,397**

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Bond Retirement and Interest	.0	0	0	.0	0	0	.0	0	0
Office of the Governor	.0	0	0	.0	0	0	.0	0	0
Office of Lieutenant Governor	.0	0	0	.0	0	0	.0	0	0
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	Fiscal note not available								
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Licensing	.0	0	0	.0	0	0	.0	0	0
Department of Health	.0	0	0	.0	0	0	.0	0	0
Washington State University	.0	0	0	.0	0	0	.0	0	0
Department of Transportation	.0	0	0	.0	0	0	.0	0	0
Department of Ecology	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Estimated Capital Budget Breakout

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

Prepared by: Lisa Borkowski, OFM	Phone:	Date Published:
	(360) 902-0573	Preliminary 3/ 2/2021

Individual State Agency Fiscal Note

Bill Number: 5373 SB	Title: Carbon Pollution	Agency: 010-Bond Retirement and Interest

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Climate Bond Proceeds Account-State NEW-1	494,300,000	494,300,000	988,600,000	988,600,000	988,600,000
Total $	494,300,000	494,300,000	988,600,000	988,600,000	988,600,000

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
Account					
Climate Bond Proceeds Account-State NEW-1	2,965,800	35,441,585	38,407,385	168,251,061	302,204,987
Total $	2,965,800	35,441,585	38,407,385	168,251,061	302,204,987

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:	Bryon Moore	Phone: (360)786-7726	Date: 01/27/2021
Agency Preparation:	Leslie Yonkers	Phone: (360) 902-9020	Date: 02/02/2021
Agency Approval:	Leslie Yonkers	Phone: (360) 902-9020	Date: 02/02/2021
OFM Review:	Les Myhre	Phone: (360) 902-0614	Date: 02/03/2021

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 8 creates the Climate Finance Account in the state treasury. Moneys in the account may be spent only after appropriation.

Section 8 (1) states the moneys in the account must be used for the principal and interest on bonds authorized in section 9. This section also requires the State Finance Committee to certify to the State Treasurer the debt service amount needed in the upcoming fiscal year. The certification must be done by June 30.

Section 8 (2) requires the State Treasurer, on July 1 of each year, to transfer from the Climate Finance Account to the Climate Bond Retirement Account (created in section 12) the amount of debt service for the fiscal year.

Section 9 authorizes the State Finance Committee to issue special tax obligation bonds up to $4,943,000,000 over a period of not to exceed ten years to finance projects as described in sections 16 and 17, and all costs incidental thereto. We have assumed that the ten year period would extend from FY 2022 to FY 2031.

Section 9 (2) states that no bonds authorized in this section may be offered for sale without prior legislative appropriation of the net proceeds of the sale of the bonds.

Section 9 (3)(a) states the State Finance Committee may include a provision in the bond resolution that the bonds shall be payable solely from and secured solely by the carbon pollution tax revenues received in the Climate Finance Account created in section 8. Since the authorized bonds are revenue bonds and not a general obligation of the state, the authorized bonds are not subject to the state's constitutional debt limit.

Section 10 (1) states the bonds authorized in section 9 may be issued for a period not to exceed ten years. The authorization to issue the bonds does not expire until the full authorization has been issued and dispersed, or until the end of the ten-year period. Any increase in the period of issuance beyond the ten-year period requires the approval of the legislature.

Section 10 (2) requires the State Treasurer to submit a quarterly report to the legislature that recommends the level of issuances over the ten-year period and that no bond issuance may be structured such that debt service obligations remain past December 31, 2050.

Section 11 states the bonds authorized in section 9 are not a general obligation of the state and the full faith, credit, and taxing powers of the state are not pledged for their payment. It requires that each bond issued under this authority state that payment or redemption of the bond and payment of the interest and premium is payable solely from the carbon pollution tax revenues received in the Climate Finance Account (created in section 8).

Section 12 creates the Climate Bond Proceeds Account in the state treasury. Proceeds from the sale of bonds authorized in section 9 must be deposited in this account. Proceeds may be spent only after appropriations and only for projects described in sections 16 and 17 and for expenses incurred in the issuance and sale of the bonds.

If the State Finance Committee deems it necessary to issue the bonds authorized in section 9 as taxable bonds in order to comply with federal internal revenue service rules and regulations then the proceeds of the taxable bonds must be deposited into the Climate Bond Proceeds Account.

This section also requires the State Treasurer to submit written notice to the director of financial management if taxable proceeds transfers to the Climate Bond Proceeds Account are necessary.

Section 13 creates the Climate Bond Retirement Account in the state treasury. Moneys in the account (transferred from the Climate Finance Account-section 8) must be used only for the payment of principal and interest on bonds authorized in section 9. This section also requires the State Finance Committee to certify to the State Treasurer the debt service amount needed in the ensuing fiscal year. The certification must be done by June 30. [Same as in section 8.]

Section 14 allows the State Finance Committee to issue bonds to refund outstanding bonds issued in section 9.

II. B - Cash receipts Impact

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

Section 12 requires the proceeds from the authorized bonds be deposited in the Climate Bond Proceeds Account in the state treasury.

The bond proceeds are estimated to be required as shown below. For the fiscal note we assumed equal issuance starting in FY 2022 and ending in FY 2031. The issuance plan assumption was confirmed with legislative staff.

FY 2022: 494,300,000
FY 2023: 494,300,000
FY 2024: 494,300,000
FY 2025: 494,300,000
FY 2026: 494,300,000
FY 2027: 494,300,000
FY 2028: 494,300,000
FY 2029: 494,300,000
FY 2030: 494,300,000
FY 2031: 494,300,000

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 11 states the bonds are not a general obligation of the state and the full faith, credit, and taxing powers of the state are not pledged for their payment. The bonds are payable solely from and secured solely by a pledge of the carbon pollution tax revenues. As the authorized bonds are revenue bonds and not a general obligation of the state, it is assumed that the bonds are not subject to the state's constitutional debt limit.

Debt service for the authorized bonds will be paid from the Climate Bond Retirement Account (section 13). The State Treasurer will transfer funds to cover the fiscal year’s debt service payments from the Climate Finance Account into the Climate Bond Retirement Account on July 1 of each year (section 8 (2)).

For this analysis, we have assumed that the bonds would be issued annually in January of each year, over a ten year period, beginning in FY 2022 and ending in FY 2031. Further, we have assumed that the bonds would be structured to have level annual debt service payments, amortized over a 20-year term, except for the final issuance, which assumes a 19-year term. This 19-year term was assumed to allow the issuance to fit within the December 31, 2050 limit for debt service, as provided in section 10 (2).

The total cost of issuance is assumed to be 0.60% of gross proceeds. This is estimated at $2.97 million per $494.33 million issuance, totaling $29.66 million from FY 2022 - FY 2031. The first debt service payment is estimated to be in FY 2023 for $32.48 million. The estimated aggregate amount of debt service payments from FY 2023 - FY 2027 totals $491.07 million. If the bonds are issued as taxable then the interest costs will be higher. Actual bond issuance is dependent upon legislative appropriations for expenditures and cash flow needs.

The interest rates reflect the Bond Buyer Index (20-Bond G.O. Index) from the November 2020 forecast from the Economic and Revenue Forecast Council ("ERFC")/IHS Markit plus a 50-basis point spread for years 1 through 10. Starting in year 11 (FY 2031), a constant rate of 5.00% plus a 20-basis point spread is assumed. We have assumed for this analysis that the bonds authorized in this bill would rate in the AA category, and carry slightly higher interest rates than the state's Various Purpose General Obligation bonds. As such, we added 0.20% to the interest rate assumptions that are used in the Various Purpose General Obligation bond model to reflect the difference between the two credits.

As the bonds authorized to be issued by this bill are a new innovative financing program with no existing credit rating along with a number of specific financing terms to be finalized, it should be noted that the interest rate assumptions, assumed costs of issuance, and other structuring assumptions used in this analysis are preliminary estimates and subject to change.

Please see the attached spreadsheet for detailed debt service expenditures by fiscal year.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
NEW-1	Climate Bond Proceeds Account	State	2,965,800	35,441,585	38,407,385	168,251,061	302,204,987
		Total $	2,965,800	35,441,585	38,407,385	168,251,061	302,204,987

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	494,300	494,300	988,600	988,600	988,600
E-Goods and Other Services	2,471,500	2,471,500	4,943,000	4,943,000	4,943,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service		32,475,785	32,475,785	162,319,461	296,273,387
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	2,965,800	35,441,585	38,407,385	168,251,061	302,204,987

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)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Other Revenue Bond Debt (405)	2,471,500	34,947,285	37,418,785	167,262,461	301,216,387
Bond Sale Expenditures (406)	494,300	494,300	988,600	988,600	988,600
Total $	2,965,800	35,441,585	38,407,385	168,251,061	302,204,987

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

Issuance Worksheet -- Assumptions

List of all Major Assumptions *2/2/2021*

Interest Rate Assumptions[1]
ERFC -- Nov-2020 (BC1120/CTL1120)

Fiscal Year	Bond Buyer Idx	Adj.	WA Rate 100.0%
2020	3.2037%	0.00%	3.20%
2021	2.2744%	0.50%	2.77%
2022	2.3102%	0.50%	2.81%
2023	2.2810%	0.50%	2.78%
2024	2.3499%	0.50%	2.85%
2025	2.6384%	0.50%	3.14%
2026	2.9454%	0.50%	3.45%
2027	3.1050%	0.50%	3.60%
2028	3.2750%	0.50%	3.77%
2029	3.4400%	0.50%	3.94%
2030	3.5825%	0.50%	4.08%
2031	5.0000%	0.20%	5.20%
2032	5.0000%	0.20%	5.20%

Bond Issue Assumptions

Years to maturity*:	20
Underwriting Spread:	0.50%
Cost of Issuance (COI):	0.10%
Total Cost of Issuance/Discount:	0.60%

*The last issuance in FY 2031 has 19 years to maturity to meet the debt service restriction as stated in Section 10 (2).

SB 5373 -- Issuance Summary w/Estimated Debt Service

Estimated -- as of 2/2/2021 *2/2/2021*

Fiscal Year		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Net Proceeds:		491,334,200	491,334,200	491,334,200	491,334,200	491,334,200	491,334,200	491,334,200	491,334,200	491,334,200	491,334,200	4,913,342,000
Cost of Issuance/Discount:	**0.600%**	2,965,800	2,965,800	2,965,800	2,965,800	2,965,800	2,965,800	2,965,800	2,965,800	2,965,800	2,965,800	29,658,000
Par Value:		494,300,000	494,300,000	494,300,000	494,300,000	494,300,000	494,300,000	494,300,000	494,300,000	494,300,000	494,300,000	**4,943,000,000**
Dated Date:		1/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030	1/1/2031	
First Coupon PMT Date:		7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026	7/1/2027	7/1/2028	7/1/2029	7/1/2030	7/1/2031	
First PMT -- Interest Only:		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
First Principal PMT:		1/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028	1/1/2029	1/1/2030	1/1/2031	1/1/2032	
Average Coupon:		2.81%	2.78%	2.85%	3.14%	3.45%	3.60%	3.77%	3.94%	4.08%	5.20%	
PMT Calc Periods:		20	20	20	20	20	20	20	20	20	19	
FY1 Principal:		18,716,521	18,774,302	18,639,688	18,089,686	17,515,369	17,242,491	16,937,162	16,635,990	16,391,072	15,759,822	
FY1 Interest:		13,759,264	13,611,959	13,955,682	15,380,122	16,903,572	17,641,002	18,476,968	19,313,154	20,001,939	25,501,352	
PMT:		32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	
First FY:		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	
Last FY:		2042	2043	2044	2045	2046	2047	2048	2049	2050	2050	
Total Debt Service:		649,515,702	647,725,221	651,907,386	669,396,151	688,378,811	697,669,857	708,282,591	718,982,874	727,860,223	783,962,301	6,943,681,118

Fiscal Year											
2022	0	0	0	0	0	0	0	0	0	0	0
2023	32,475,785	0	0	0	0	0	0	0	0	0	32,475,785
2024	32,475,785	32,386,261	0	0	0	0	0	0	0	0	64,862,046
2025	32,475,785	32,386,261	32,595,369	0	0	0	0	0	0	0	97,457,415
2026	32,475,785	32,386,261	32,595,369	33,469,808	0	0	0	0	0	0	130,927,223
2027	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	0	0	0	0	0	165,346,164
2028	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	0	0	0	0	200,229,656
2029	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	0	0	0	235,643,786
2030	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	0	0	271,592,930
2031	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	0	307,985,941
2032	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	349,247,115
2033	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	349,247,115
2034	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	349,247,115
2035	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	349,247,115
2036	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	349,247,115
2037	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	349,247,115
2038	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	349,247,115
2039	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	349,247,115
2040	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	349,247,115
2041	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	349,247,115
2042	32,475,785	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	349,247,115
2043	0	32,386,261	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	316,771,330
2044	0	0	32,595,369	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	284,385,068
2045	0	0	0	33,469,808	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	251,789,699
2046	0	0	0	0	34,418,941	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	218,319,892
2047	0	0	0	0	0	34,883,493	35,414,130	35,949,144	36,393,011	41,261,174	183,900,951
2048	0	0	0	0	0	0	35,414,130	35,949,144	36,393,011	41,261,174	149,017,458
2049	0	0	0	0	0	0	0	35,949,144	36,393,011	41,261,174	113,603,329
2050	0	0	0	0	0	0	0	0	36,393,011	41,261,174	77,654,185
2051	0	0	0	0	0	0	0	0	0	0	0

Individual State Agency Fiscal Note

Bill Number: 5373 SB	Title: Carbon Pollution	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	1.0	1.0	1.0	1.0	1.0
Account					
Climate Finance Account-State NEW-1	178,556	160,756	339,312	321,512	421,512
Total $	178,556	160,756	339,312	321,512	421,512

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:	Bryon Moore	Phone: (360)786-7726	Date: 01/27/2021
Agency Preparation:	Jim Jenkins	Phone: 360-902-0403	Date: 02/15/2021
Agency Approval:	Jamie Langford	Phone: (360) 870-7766	Date: 02/15/2021
OFM Review:	Tyler Lentz	Phone: (360) 790-0055	Date: 02/16/2021

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 of the bill imposes a carbon pollution tax on the sale or use within the state of all fossil fuels, except fossil fuels used to generate electricity in the state beginning January 1, 2022.

Section 8 of the bill creates the Climate Finance Account. Revenues from the carbon pollution tax are deposited in the Climate Finance Account. The first use of money in this account is to pay for principal and interest of bonds authorize in Section 9. After the payment for principal and interest of bonds moneys in the account must be first used for the administration of the requirements of this act. These administration costs shall not exceed 5% of the total tax receipts.

Section 18 of this bill creates the environmental and economic justice panel (Panel) to provide recommendations in the development and implementation of the programs, projects, and activities on greenhouse gas reduction and natural climate solutions.

Section 18 (2) specifies that the panel must consists of at least 10 persons. It also specifies that the departments of Commerce, Ecology, Heath and Transportation, the Office of Equity, and other state agencies as the governor may determine must coordinate and assist the panel.

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.

It is assumed the Environmental and Economic Justice Panel (Panel) would be appointed and convened by July 1, 2021.

It is assumed that the Office of Equity/Governor's Office will provide support for the Panel.

The Panel would hold 6 one day in person meetings in FY 22 (July 2021, August 2021, September 2021, January 2022, March 2022, May 2022). In FY 23, and ongoing, there would be 4 in person meetings per fiscal year.

It is assumed that the Panel will complete an economic evaluation of the impacts and outcomes for low and middle-income households and vulnerable populations, including communities of color and tribal communities, of the emission reduction policies and financial assistance provided in this bill in FY 26.

This is based on the assumption that it will use data in the Commerce reports required in Sec 6 (1) which is due December 31, 2024 (FY 25) and the EJ report required in Sec 6(3).

The bill specifies the Panel will consist of at least 10 members for purposes of this fiscal note, it is assumed the panel would consist of 20 members.

Sec. 18 of this bill doesn't provide any specific authorization for per diem or compensation. For purposes of this fiscal note, we assume the Panel will be considered a Class One group under RCW 43.03.220. If the Panel is a different Class, the costs related to non-governmental panel members would be different.

Travel and meal reimbursement costs for non-governmental members as provided in RCW 43.03.050 and 43.03.060 and is estimated at $24,000 for FY 22, $16,000 for FY 23 and beyond.

Based upon Olympia lunch per diem of $20 per person, meeting and light refreshment ($400 per meeting) costs is provided at $2,400 for FY 22, $1,600 for FY 23 and beyond.

Meeting space rental cost ($2,000 per meeting) is estimated at $12,000 FY 22, for $8,000 for FY 23 and beyond.

For the economic evaluation report to be completed in FY 26, a contract would be required for $100,000 to complete this work.

In order to support the panel the Governor's office would hire a full time Program Manager position beginning in July 2022. This position would support the panel, and provide facilitation and is represented as a Program 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.

** 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.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
NEW-1	Climate Finance Account	State	178,556	160,756	339,312	321,512	421,512
		Total $	178,556	160,756	339,312	321,512	421,512

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	1.0	1.0	1.0	1.0	1.0
A-Salaries and Wages	80,004	80,004	160,008	160,008	160,008
B-Employee Benefits	28,752	28,752	57,504	57,504	57,504
C-Professional Service Contracts					100,000
E-Goods and Other Services	38,400	33,600	72,000	67,200	67,200
G-Travel	26,400	18,400	44,800	36,800	36,800
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 $	178,556	160,756	339,312	321,512	421,512

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	80,004	1.0	1.0	1.0	1.0	1.0
Total FTEs		1.0	1.0	1.0	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: 5373 SB	Title: Carbon Pollution	Agency: 080-Office of Lieutenant Governor

Part I: Estimates

[X] **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:	Bryon Moore	Phone: (360)786-7726	Date: 01/27/2021
Agency Preparation:	Chad Johnson	Phone: (360) 407-8130	Date: 02/02/2021
Agency Approval:	Chad Johnson	Phone: (360) 407-8130	Date: 02/02/2021
OFM Review:	Gwen Stamey	Phone: (360) 902-9810	Date: 02/03/2021

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 establishes a carbon pollution tax beginning January 1, 2022.

Section 4 establishes exemptions to the carbon pollution tax.

Section 5 allows various agencies to adopt rules they deem necessary.

Section 9 directs the state finance committee, which the Lt. Governor is a member of, to issue special tax obligation bonds of the state of Washington. The agency assumes no fiscal impact for the participation.

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.

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

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5373 SB	Title: Carbon Pollution	Agency: 090-Office of State Treasurer

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

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

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.

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:	Bryon Moore	Phone: (360)786-7726	Date: 01/27/2021
Agency Preparation:	Dan Mason	Phone: (360) 902-8990	Date: 02/10/2021
Agency Approval:	Dan Mason	Phone: (360) 902-8990	Date: 02/10/2021
OFM Review:	Ramona Nabors	Phone: (360) 902-0547	Date: 02/28/2021

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 5373 creates the climate finance account, climate bond proceeds account, climate bond retirement account, greenhouse gas emissions reduction account, and natural climate solutions account. The general fund is the recipient of the earnings from investments from all five accounts under RCW 43.84.092(4).

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.

Projected cash flows are currently unavailable; therefore, estimated earnings from investments are indeterminable.

Currently, the estimates for the transfers under section 8(3)(a)(i) and (ii) are unknown. We are conversing with the department of ecology - a revised fiscal note will be submitted if estimates become available.

There may be an impact on the debt service limitation calculation. Any change to the earnings credited to the general fund will change, by an equal amount, general state revenues.

II. C - Expenditures

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

Part III: Expenditure Detail

III. A - 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

Part V: New Rule Making Required

Department of Revenue Fiscal Note

Revised

Bill Number: 5373 SB	Title: Carbon Pollution	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Account	FY 2022	FY 2023	2021-23	2023-25	2025-27
NEW-State 00 - 00 -		599,000,000	599,000,000	3,173,800,000	3,606,500,000
Total $		599,000,000	599,000,000	3.173.800.000	3,606,500,000

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	4.9	5.4	5.1	5.3	5.2
Account					
GF-STATE-State 001-1	842,200	253,000	1,095,200		
NEW-State NEW-1		401,500	401,500	1,200,600	1,173,000
Total $	842,200	654,500	1,496,700	1,200,600	1,173,000

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).

[X] Capital budget impact, complete Part IV.

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

Legislative Contact:	Bryon Moore	Phone: (360)786-7726	Date: 01/27/2021
Agency Preparation:	Preston Brashers	Phone: 360-534-1473	Date: 02/15/2021
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 02/15/2021
OFM Review:	Ramona Nabors	Phone: (360) 902-0547	Date: 02/15/2021

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.

Note: This fiscal note reflects a revision to the fund from which the expenditures are drawn against and supersedes fiscal note number 5373-1.

CURRENT LAW:
There is no carbon tax under current law.

CARBON POLLUTION TAX
The bill imposes a carbon pollution tax beginning January 1, 2022, on the sale or use of fossil fuels within the state, except fossil fuels used to generate electricity. The carbon pollution tax is measured based on carbon dioxide (CO_2)-equivalent emissions:
- From the combustion or oxidation of fossil fuels in the state.
- From the entire life cycle of fossil fuels.

The tax rate is $25 per metric ton CO_2-equivalent emissions as of July 1, 2022. Beginning July 1, 2023 and for each subsequent year the tax increases by 5 percent plus inflation. Inflation is measured using the consumer price index.

The Department of Revenue (Department) will determine the tax for each specific source by applying a carbon calculation developed by the Department of Ecology (Ecology).

The carbon pollution tax is imposed only once with respect to the same unit of fossil fuel. The tax is imposed at the time and place of the first taxable event within this state and upon the first taxable person within this state. For natural gas sold by gas distribution businesses to retail customers, the tax is paid by the gas distribution business upon sale to the customer. The Department must develop the worksheets, tax tables, and guidance documents needed to calculate the CO_2-equivalent emissions of fossil fuels.

EXEMPTIONS AND CREDITS
An exemption from the carbon tax is provided for:
- Biogas, which includes renewable liquid natural gas or liquid compressed natural gas made from biogas, landfill gas, biodiesel, renewable diesel, and cellulosic ethanol.
- Fossil fuels brought into the state in the primary fuel supply tank of a motor vehicle, vessel, locomotive, or aircraft that are actively supplying fuel for combustion.
- Fossil fuels that the state or federal constitution prohibits the state from taxing.
- Fossil fuels exported from the state.
- Fossil fuels sold to or used for coal transition power.
- Diesel fuel, biodiesel fuel, or aircraft fuel used exclusively for agricultural purposes.
- Aircraft fuel.
- The portion of fossil fuels purchased in the state and combusted outside the state by interstate motor carriers and vessels used primarily in interstate or foreign commerce.
- Activities or property of Indian tribes and individual Indians that are exempt from state imposition of a tax as a matter of federal law or state law, whether by statute, rule, or compact.
- Motor vehicle fuel or special fuel used exclusively for agricultural purposes (5-year exemption).
- Motor vehicle fuel or special fuel used for log transportation and/or timber extraction businesses (5-year exemption).
- Fossil fuels used to generate electricity in the state.
- Fossil fuels used by energy-intensive, trade-exposed (EITE) businesses.
- Natural gas that is transported through the state that is not produced or delivered in the state.

- A credit can be claimed for carbon pollution taxes previously paid in another jurisdiction on the same unit of fossil fuel.

RULE-MAKING AND OTHER ADMINISTRATIVE AUTHORITY
The Department must provide a methodology by rule to apportion fossil fuels consumed in the state by interstate motor carriers involved in interstate commerce. The Department also must determine rules and methods for applying the exemptions for motor vehicle fuels and special fuels used in agriculture and logging. In consultation with the Department of Commerce (Commerce) and Ecology, the Department must adopt rules designating EITE sectors by June 30, 2022.

The Department, along with Ecology, Commerce, and the Department of Transportation may adopt other rules as necessary to administer the provisions of the bill.

The Department may request technical assistance as necessary from Commerce, Ecology, and the Washington State University extension energy program to effectively administer the bill.

REPORTS
By December 31, 2024, and biennially thereafter, Commerce, with support from the Department, must submit a report based on the biennial reporting period ending the previous December 31 that contains:
- Program recommendations.
- The total carbon pollution tax collected and a list of carbon pollution tax paid by taxpayer.
- The estimated costs incurred by the Department, Commerce, and Ecology, directly associated with administering the carbon pollution tax shown in dollars and as a percentage of tax revenue collected.
- Impacts to the economic health of Washington state, including verifiable data on emissions leakage and job losses.
- An environmental justice analysis.
- A summary of the investments made through the:
    - Greenhouse gas emissions reduction account created under the bill.
    - Natural climate solution account created under the bill.

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
- While the bill imposes the tax effective January 1, 2022, the Department cannot fully implement the tax by the effective date provided.
- Prior to implementation, the Department will require calculations of the lifecycle carbon intensity of fuels from Ecology. As written, the Department also must develop taxpayer worksheets and guidance documents, rules for the new tax, and would require significant updates to electronic filing systems to accommodate the new tax, all of which will depend on Ecology's carbon intensity analysis.

- Revenues are modeled based on the tax collections beginning on January 1, 2023.
- Revenues for the 2022 calendar year are not modeled, as it is unclear if the tax can be implemented and collected before 2023.
- The carbon tax rate is established at $25 per metric ton of CO2-equivalent emissions as of January 1, 2023.
- The carbon tax increases by 5% plus the annual inflation rate on July 1, 2023, and each July 1 thereafter.
- Each July 1 rate increase, including 2023, is based on a full year of annual inflation.
- The inflation factor applies inclusive of the 5% rate increase in the same year.
- The carbon tax is imposed on the sale or use of fossil fuels in the state, with the tax imposed once upon the first taxable

event.
- The tax applies to an estimated 1,500 taxpayers.
- The carbon tax is imposed on all sectors, except electricity generation and EITE sectors.
- Natural gas is taxed except when used in electricity generation or by EITE sectors.
- The inflation rate for modeling purposes is equal to the consumer price index for all urban areas (CPI-U), as reflected in the November 2020 IHS Markit forecast.
- Compliance (beginning January 1, 2023):
  - 90% revenue collections in calendar year 2023, and
  - 95% revenue collections in calendar year 2024 and thereafter.
- These compliance factors reflect that most of the tax collections are expected from businesses who are currently registered with the Department.
- Five months of cash collections are reflected in Fiscal Year 2023, reflecting collections beginning January 1, 2023.
- No conditional increases in the tax base are assumed. Specifically, revenue estimates do not reflect the possibility of the EITE exemption being restricted or eliminated at a future date.
- NEW fund is a climate finance account.
- NEW source is a carbon pollution tax.

The following assumptions are made within the Carbon Tax Assessment Model (CTAM):
- Year one is set to Calendar Year 2023 to correspond with the effective date of the carbon tax.
- The baseline reference energy forecast (option A) is specified, which corresponds to the US Energy Information Administration (EIA) Annual Energy Outlook 2020 reference case.
- Life cycle analysis factors are used to account for upstream emissions of transportation fuels.
- Jet fuels are exempted.
- Marine fuels are not exempted.
- "Transition coal" is exempted.
- Low carbon fuel standard is not invoked.
- Partial transportation diesel tax for the period 2023 - 2027, such that 91.2% of such fuel is taxed, accounting for the 5-year exemption of distillate fuels by/for agriculture, the extraction and transportation of logs, Indian tribes, the U.S. government, and foreign diplomatic missions.
- Partial transportation diesel tax for the period 2028-, such that 98.7% of such fuel is taxed, accounting for the continuing exemption of distillate fuels by Indian tribes, the U.S. government, and foreign diplomatic missions.

- Estimates of distillate fuel usage by agriculture, Indian tribes, log extraction and transportation, the U.S. government, and foreign diplomatic missions are based on FY 2018 Department of Licensing fuel tax exemption data, as a share of overall Washington distillate fuel usage (2018 EIA data).

The following have been factored into the modeling to the extent possible:
- Limiters applied consistent with exemption for fossil fuels used to generate electricity.
- Exemption for EITE facilities.
- Exemptions for motor fuel usage by/for agriculture (5-years only), the extraction and transportation of logs (5-years only), Indian tribes, the U.S. government, and foreign diplomatic missions.

- "EITE sectors" include sectors defined in WAC 173-442-020 as "EITE covered parties" plus wood product facilities.
- Facility-specific emissions data have been drawn from the Washington Department of Ecology's Greenhouse Gas Reporting Program, which requires facilities that emit at least 10,000 metric tons of CO_2 per year in Washington to report.
- EITE sectors are assumed to account for 13% of Industrial sector emissions, including life cycle effects.

The following have not been explicitly factored into the modeling because they are not included in the CTAM model:
- Exemption for biogas, which includes renewable liquid natural gas or liquid compressed natural gas made from biogas, landfill gas, biodiesel, renewable diesel, and cellulosic ethanol.
- Exemption for fossil fuels or electricity exported from the state.
- Exemption for fossil fuels brought into the state in the primary fuel supply tank of a vehicle.
- Exemption for the portion of fossil fuels purchased in the state and combusted outside the state by vehicles used primarily in interstate or foreign commerce.

The following have not been explicitly factored into the modeling and are expected to have minimal impact on the estimate:
- Exemption for fossil fuels and electricity already subject to a comparable carbon charge in another jurisdiction.

DATA SOURCES
- Washington State Department of Commerce, State Energy Office, Carbon Tax Assessment Model (CTAM) - version 4.2 base case
- IHS Markit forecast for the CPI-U, November 2020
- Washington State Department of Ecology, Air Quality Program, Green House Gas Reporting Program, 2018
- U.S. Energy Information Administration, Sales of Distillate Fuel Oil by End Use, Washington, 2018
- Department of Licensing, Gallons of Tax Exempt Fuels by Category (FY 2018 - FY 2020)

REVENUE ESTIMATES

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):

FY 2022 -	$ 0
FY 2023 -	$ 599,000
FY 2024 -	$ 1,513,900
FY 2025 -	$ 1,659,900
FY 2026 -	$ 1,755,200
FY 2027 -	$ 1,851,300

II. C - Expenditures

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

ASSUMPTIONS:
- This legislation will affect 1,500 taxpayers.
- The Department cannot fully implement this legislation until the Department of Ecology completes its work on rules and policies. Ongoing, the Department will require other agencies to assist with information and data not within its area of expertise.

FIRST YEAR COSTS:
The Department will incur total costs of $842,200 in Fiscal Year 2022. These costs include:

Labor Costs - Time and effort equates to 4.86 FTEs.
- Additional staff to provide increased interpretation and analysis of the new law.
- Develop, oversee and test computer systems.
- Create a new reporting line code, including new dedicated funding, letters and reports.
- Configure new deductions and credits for electronic reporting.

- Create a new worksheet to calculate carbon tax to include deductions, credits and the amount that will be transferred to the return.
- Create a new return for consumers who need to report.
- Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses, individuals and accountants.
- Create a Special Notice and identify publications and information that need to be created or updated on the Department's website.
- Respond to tax ruling requests, email inquiries.
- Adopt two new administrative rules.

Object Costs - $221,400.
- Contract computer system programming.
- Print and mail a special notice to all affected taxpayers.

SECOND YEAR COSTS:
The Department will incur total costs of $654,500 in Fiscal Year 2023. These costs include:

Labor Costs - Time and effort equates to 5.4 FTEs.
- Additional staff to provide increased interpretation and analysis of the new law.
- Ongoing system testing and verification.
- Update paper returns and create a new paper return for consumer reporting.
- Respond to tax ruling requests, email inquiries.
- Ongoing updates to website and print information.
- Process returns, payments and all associated work items, including issuing assessments for return errors and underpayments.
- Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Additional time required in routine field audits to review reporting of the new tax.
- Conduct additional administrative reviews.

Object Costs - $200.
- Printing and postage costs for additional returns and correspondence.

ONGOING COSTS:
Ongoing costs for the 2023-25 Biennium equal $1,200,600 and include similar activities described in the second year costs. Time and effort equates to 5.3 FTEs in Fiscal Year 2024 and 5.2 FTEs in Fiscal Year 2025.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	4.9	5.4	5.1	5.3	5.2
A-Salaries and Wages	385,800	406,400	792,200	759,000	752,600
B-Employee Benefits	139,000	146,400	285,400	273,300	271,000
C-Professional Service Contracts	220,000		220,000		
E-Goods and Other Services	63,400	67,400	130,800	120,900	116,000
G-Travel		5,300	5,300	21,000	21,000
J-Capital Outlays	34,000	29,000	63,000	26,400	12,400
Total $	$842,200	$654,500	$1,496,700	$1,200,600	$1,173,000

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

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
EMS BAND 4	119,061	0.0		0.0		
EMS BAND 5	139,090	0.0		0.0		
EXCISE TAX EX 3	59,688	0.1	0.1	0.1	0.1	0.1
IT QA-JOURNEY	85,644	0.2		0.1		
IT SYS ADM-JOURNEY	89,916	0.1		0.1		
MGMT ANALYST4	70,956	0.6	0.5	0.6	0.2	0.2
MGMT ANALYST5	78,408	0.2	0.2	0.2	0.1	0.1
RECORDS MGMT SUPV	67,560		0.3	0.2	0.1	0.1
REVENUE AUDITOR 3	65,928		1.5	0.8	3.0	3.0
TAX INFO SPEC 1	43,392	0.1		0.1		
TAX INFO SPEC 4	64,332	0.5	0.3	0.4	0.1	
TAX POLICY SP 3	82,344	2.0	1.7	1.9	1.1	1.1
TAX POLICY SP 4	88,644	0.9	0.8	0.8	0.6	0.6
WMS BAND 2	89,018	0.1		0.1		
WMS BAND 3	101,257	0.0		0.0		
Total FTEs		4.9	5.4	5.2	5.3	5.2

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

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

Should this legislation become law, the Department will use the complex process to adopt two new rules. Persons affected by this rule making would include sellers or users of fuels and energy as defined in the legislation.

Individual State Agency Fiscal Note

Bill Number: 5373 SB	Title: Carbon Pollution	Agency: 240-Department of Licensing

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

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

Estimated Operating 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:

☒ 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:	Bryon Moore	Phone: (360)786-7726	Date: 01/27/2021
Agency Preparation:	Xia Zhan	Phone: 360 902-0113	Date: 02/02/2021
Agency Approval:	Kristin Bettridge	Phone: 360-902-3644	Date: 02/02/2021
OFM Review:	Kyle Siefering	Phone: (360) 995-3825	Date: 02/03/2021

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 bill creates the Washington sustainable transformative recovery opportunities for the next generation act and enacts a carbon tax on the sale/use of fossil fuels within WA that takes effect immediately.

DOR will handle all collection, refund, and enforcement of the carbon tax described in this bill. DOL will share available data about taxable events through existing reporting mechanisms. Any changes to DOL's reporting methods or data-sharing will be made through rulemaking per Section 5.

Sec.3 subsection (7): Adds new language to impose the carbon pollution tax on the seller or user of motor vehicle and special fuels at the points of taxation specified in RCW 82.38.030(9). This is DOL's point of taxation for Motor and Special fuel, and we currently collect monthly reporting from our licensees of the tax imposed at this point. DOR will likely request data to validate that a company properly reported the carbon tax due based on the fuel tax data we collect here.

Sec.4 subsection (1)(g): Describes exemptions to the carbon pollution tax, including sales of aircraft fuel as defined in RCW 82.42.010. DOL collects data on the sale of aircraft fuel, and DOR will likely request data to validate that the exemption was properly claimed both on the fuel tax and carbon tax as applicable.

Sec.5 subsection (2): Adds new language: DOR, the Department of Ecology (DOE), the Department of Licensing (DOL), the Department of Transportation (DOT), and the Department of Commerce (DOC) may adopt rules to administer this chapter.

Sec.23 add new section to state this Act takes effect immediately.

II. B - Cash receipts Impact

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

Sec.3 adds an additional tax on carbon emissions of $25 per ton of emitted carbon beginning July 1, 2022 and increasing 5% in each following year. DOR will be responsible for the collection of this tax.

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 3 and Section 4 require DOL to share available data about taxable events through existing reporting mechanisms. Section 5 allows rulemaking by DOR, DOE, DOL, DOT, and DOC. As a result of the rulemaking, DOR may require additional data which is not currently available to them from DOL, which will incur future costs. As we don't know the existing data-sharing with DOR will be sufficient, the DOR's rulemaking scope and implementation included in Section 5, the costs to DOL is indeterminate.

- If existing data-sharing with DOR will be sufficient, no fiscal impact to DOL.
- If DOR required data is expanded, there could be significate costs to DOL.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

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

III. B - Expenditures by Object Or Purpose

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

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

Individual State Agency Fiscal Note

Bill Number: 5373 SB	Title: Carbon Pollution	Agency: 303-Department of Health

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	0.1	0.0	0.1	0.0	0.0
Account					
General Fund-State 001-1	13,000	7,000	20,000	14,000	14,000
Total $	13,000	7,000	20,000	14,000	14,000

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:	Bryon Moore	Phone: (360)786-7726	Date: 01/27/2021
Agency Preparation:	Jayme Hills	Phone: 360-338-2900	Date: 02/11/2021
Agency Approval:	Carl Yanagida	Phone: 360-789-4832	Date: 02/11/2021
OFM Review:	Danielle Cruver	Phone: (360) 522-3022	Date: 02/11/2021

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.

New Section 6 (3) states that the department of commerce, supported by the department of revenue and the department of health, must provide an environmental justice analysis that reports on environmental, health, and economic impacts on highly impacted communities and vulnerable populations from climate impacts and state measures taken to meet Washington's greenhouse gas emissions limits, including the tax and investments authorized by this chapter.

New Section 15 (1) states the intent of the legislature that each year the total investments made through the climate bond proceeds account created in section 12 of this act, the greenhouse gas emissions reduction account created in section 16 of this act, and the natural climate solutions account created in section 17 of this act achieve the following, measured on a biennial basis: (a) At least 35 percent of total investments authorized under this chapter must provide direct and meaningful benefits to vulnerable populations within the boundaries of highly impacted communities, as designated by the department of health under RCW 2819.405.140.

This section does not direct the Department of Health to do any work therefore there is no fiscal impact.

New Section 17 (1) states that the natural climate solutions account is created in the state treasury. All moneys directed to the account from the climate finance account created in section 8 of this act must be deposited in the account. Moneys in the account may be spent only after appropriation and are intended to increase the resilience of the state's waters, forests, and other vital ecosystems to the impacts of climate change, as well as increase their carbon pollution reduction capacity through sequestration, storage, and overall ecosystem integrity. Moneys in the account must be spent in a manner that is consistent with existing and future assessments of climate risks and resilience from p. 21 SB 5373 the scientific community and expressed concerns of and impacts to highly impacted communities, as designated by the department of health under RCW 19.405.140.

This section does not direct the Department of Health to do any work therefore there is no fiscal impact.

New Section 18 (1) states that an environmental and economic justice panel is established to provide recommendations in the development and implementation of the programs, projects, and activities on greenhouse gas reduction and natural climate solutions authorized under this chapter. The departments of commerce, ecology, health, and transportation, the office of equity, and other state agencies as the governor may determine must coordinate and assist the panel.

New Section 18 (2) states that the governor must appoint the members of the environmental and economic justice panel, which must be cochaired by one tribal leader and one person that is a representative of the interests of highly impacted communities identified by the department of health in its health disparities map.

II. B - Cash receipts Impact

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

None

II. C - Expenditures

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

Section 6(3): The Department of Health will provide support to the department of commerce in the creation of an environmental justice analysis that reports on environmental, health, and economic impacts on highly impacted communities and vulnerable populations from climate impacts and state measures taken to meet Washington's greenhouse gas emissions limits, including the tax and investments authorized by this chapter. The department of health assumes that the complete report will be completed in fiscal year (FY) 2025 and that support in this work will be limited to a consultation role where the review of drafts and providing of comments will be required. There is therefore no fiscal impact.

Section 18: The Department of Health will participate on the economic justice panel and provide recommendations in the development and implementation of the programs, projects, and activities on greenhouse gas reductions and natural climate solutions authorized under this this chapter.

Assumptions:

- The Department of Health will have one representative on the panel.
- Panel will be appointed by July 1, 2021.
- Panel will hold six one-day meetings in FY 2022 (July 2021, August 2021, September 2021, January 2022, March 2022, May 2022).
- Panel will reduce meetings to four one day meetings in FY 2023 and each year thereafter.
- Each meeting will either be virtual or held locally and therefore the Department of Health will incur no per-diem or travel costs.
- Each meeting will consist of 16 hours of staff time (4 hours of prep, 8 hours meeting, 4 hours follow-up).

Total costs for this bill;
FY 2022 - 0.1 FTE and $13,000
FY 2023 - 0.1 FTE and $7,000, and each year thereafter.

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	13,000	7,000	20,000	14,000	14,000
		Total $	13,000	7,000	20,000	14,000	14,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	9,000	5,000	14,000	10,000	10,000
B-Employee Benefits	2,000	1,000	3,000	2,000	2,000
C-Professional Service Contracts					
E-Goods and Other Services	1,000	1,000	2,000	2,000	2,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	1,000		1,000		
9-					
Total $	13,000	7,000	20,000	14,000	14,000

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
WMS02	110,760	0.1		0.1		
Total FTEs		0.1		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

None

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5373 SB	Title: Carbon Pollution	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	0.3	0.3	0.3	0.3	0.3
Account					
General Fund-State 001-1	75,000	75,000	150,000	150,000	150,000
Total $	75,000	75,000	150,000	150,000	150,000

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:	Bryon Moore	Phone: (360)786-7726	Date: 01/27/2021
Agency Preparation:	Maggie McFadden	Phone: 509-335-1614	Date: 02/02/2021
Agency Approval:	Chris Jones	Phone: 509-335-9682	Date: 02/02/2021
OFM Review:	Breann Boggs	Phone: (360) 485-5716	Date: 02/03/2021

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 7 states WSU Extension Energy Program in conjunction with Department of Commerce and the Department of Ecology, must provide technical assistance to the Department of Revenue as may be necessary for them to effectively administer this chapter.

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 7 requires that the Washington State University Extension energy program in conjunction with the Department of Commerce and the Department of Ecology must provide technical assistance to the Department of Revenue as may be necessary for them to effectively administer this chapter of the carbon pollution bill.

For purposes of the fiscal note, WSU is estimating that it will cost approximately $75,000 (salary, benefits and operating costs) and .34 FTE annually to provide this assistance, with the expectation that this amount could vary by year based on the level of technical assistance needed.

For purposes of this fiscal note, WSU did not include the impacts of the proposed carbon tax per Section 3.

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	75,000	75,000	150,000	150,000	150,000
		Total $	75,000	75,000	150,000	150,000	150,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.3	0.3	0.3	0.3	0.3
A-Salaries and Wages	36,933	36,933	73,866	73,866	73,866
B-Employee Benefits	23,157	23,157	46,314	46,314	46,314
C-Professional Service Contracts					
E-Goods and Other Services	14,810	14,810	29,620	29,620	29,620
G-Travel	100	100	200	200	200
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 $	75,000	75,000	150,000	150,000	150,000

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
Director	165,044	0.0	0.0	0.0	0.0	0.0
Energy Engineer	113,315	0.2	0.2	0.2	0.2	0.2
Energy Program Coordinator	100,759	0.2	0.2	0.2	0.2	0.2
Total FTEs		0.3	0.3	0.3	0.3	0.3

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: 5373 SB	Title: Carbon Pollution	Agency: 405-Department of Transportation

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:	Bryon Moore	Phone: (360)786-7726	Date: 01/27/2021
Agency Preparation:	karin Landsberg	Phone: 360-705-7491	Date: 02/03/2021
Agency Approval:	Eric Wolin	Phone: 360-705-7487	Date: 02/03/2021
OFM Review:	Jenna Forty	Phone: (564) 999-1671	Date: 02/04/2021

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.

see attached

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.

The Carbon Pollution Tax will generate millions of dollars per year, which the Washington State Department of Revenue will report in its fiscal note. There are no cash receipts to be reported by WSDOT, as other state agencies will report on the tax revenue sources however, there will be positive new revenue and bonding proceeds for transportation projects.

II. C - Expenditures

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

Part III: Expenditure Detail

III. A - 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

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5373 SB	**Title:** Sustainable Transformation Recover Opportunities for the Next Generation Act	**Agency:** 405-Department of Transportation

Part I: Estimates

Check applicable boxes and follow corresponding instructions, use the fiscal template table provided to show fiscal impact by account, object, and program (if necessary), ***add rows if needed****. If no fiscal impact, check the box below, skip fiscal template table, and go to Part II to explain briefly, why the program believes there will be no fiscal impact to the department.*

☒ No Fiscal Impact (Explain in section II. A)

If a fiscal note is assigned to our agency, someone believes there might be, and we need to address that, showing why there is no impact to the department.

☐ Indeterminate Cash Receipts Impact (Explain in section II. B)

☐ Indeterminate Expenditure Impact (Explain in section II. C)

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

☐ Capital budget impact, **complete Part IV**

☐ Requires new rule making, **complete Part V**

☐ Revised

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

Agency Assumptions

N/A

Agency Contacts:

Preparer: Karin Landsberg	Phone: 907-830-1714	Date: 2/1/2021
Approval: Eric Wolin	Phone: 206-240-4497	Date: 2/1/2021
Budget Manager: Doug Clouse	Phone: 360-705-7535	Date: 2/1/2021
Economic Analysis: Lizbeth Martin-Mahar	Phone: 360 705-7942	Date: 2/1/2021

Part II: Narrative Explanation

II. A - Brief description of what the measure does that has fiscal impact
Briefly describe by section number *(sections that will change WSDOT costs or revenue), the significant provisions of the bill, and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency.* ***List the sections that have fiscal impact to WSDOT only. E.g., "Section 3 directs the Department to …" No summarizing, no interpreting, and save any background context for the revenue and expenditure parts.***

Senate Bill 5373 creates a Carbon Pollution Tax assessed on all fossil fuels used in the state.   The Washington Sustainable Transformative Recovery Opportunities for the Next Generation Act funds climate mitigation and adaptation efforts by issuing bonds, repaid through a carbon tax. The bond cap is $4.94 billion. Beginning Jan 1, 2022, a $25 per metric ton carbon pollution tax is placed on fossil fuels. The tax rate increases each year by 5% and is adjusted for inflation. Fuels taxed include motor vehicle fuel and special fuel, with exemptions for some industries. Bond revenue is to be used for:

- Greenhouse gas mitigation (75%)
  - Transportation GHG mitigation (75%)
  - Other decarbonization efforts (25%)
- Natural climate solutions (25%)

Section 1 of the bill provides a statement of intent with the proposed changes in the bill.

Section 2 supplies definitions for this legislation.

Section 3
Outlines the new Carbon Pollution Tax on the sale or use of all fossil fuels except for fossil fuels used to generate electricity in the state beginning January 1, 2022. The tax rate is $25 per metric ton of greenhouse emissions and the tax rate is increased at a rate of 5 percent annually. The legal incidence of this tax on motor vehicle fuel and special fuel mimics that found in the Fuel Tax Act; taxation is at the rack or on the importer.

Section 4
Outlines the exemptions from the carbon pollution tax which includes interstate commerce and exported fuel. Other exemptions from the carbon pollution tax include aircraft fuel, public entities, tribal sales, agriculture, logging, the activities of tribes on tribal land and *energy-intensive, trade exposed businesses*.

Section 5
Allows the Washington State Department of Transportation (WSDOT) to adopt rules as necessary to administer the chapter.

Section 8
Creates the Climate Finance Account with all the proceeds of the tax deposited into this newly created account. The primary purpose of this new account is to pay the principal and interest on bonds authorized in section 9 of the bill. Therefore, each year on July 1, the state Treasurer shall transfer from the Climate Finance Account to the Climate Bond Retirement Account an amount equal to the amount certified by the state finance committee. The remaining revenue in the Climate Finance Account shall be dedicated for mitigating climate change.

Section 9
Authorizes $4.94 billion of special tax obligation bonds to be payable by the carbon pollution tax and details the duties of the State Finance Committee in issuing the debt.

Section 10
Limits issuance of the bonds to a ten-year period. Any remaining authorization after ten years expires unless approved by the legislature. Additionally, the Office of the State Treasurer must send quarterly reports to the legislature on issuance progress. The final term of any bonds issued may not extend beyond December 1, 2050.

Section 11
States that any bonds issued are not general obligations of the state and are solely payable from the Carbon Pollution Tax.

Section 12
Creates the Climate Bond Proceeds Account. All proceeds from the sale of bonds authorized in section 9, must be deposited in the account and the money may only be spent on certain specified projects. The State Finance Committee is also allowed to issue the debt as taxable bonds if they supply written notice to the Office of Financial Management.

Section 13
Creates the Climate Bond Retirement Account, which would be used to make debt service payments on any bonds issued under this authority.

Section 18
Establishes an environmental an economic justice panel and names the department, and other state agencies, as decided by the governor, who must coordinate and aid the panel.

II. B - Cash receipts Impact
BFA-Economics will briefly describe section by section and quantify the cash receipts impact of the legislation on WSDOT, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. BFA-Economics will confirm cash receipts assumptions and calculations with program SMEs and will.

The Carbon Pollution Tax will generate millions of dollars per year, which the Washington State Department of Revenue will report in its fiscal note. There are no cash receipts to be reported by WSDOT, as other state agencies will report on the tax revenue sources however, there will be positive new revenue and bonding proceeds for transportation projects.

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.

There is no direct fiscal impact to WSDOT because the bill does not direct the department to take any action.

Part III: Expenditure Detail

III. A - Expenditures by Object or Purpose

NA

Part IV: Capital Budget Impact

NA

Part V: New Rule Making Required

Individual State Agency Fiscal Note

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

Although the legislation provides a general authorization for the department to make rules to implement the bill there is no requirement in the bill that would cause WSDOT to engage in rule making.

Ten Year Analysis

Bill Number: SB 5373	**Title:** Relating to carbon pollution	**Agency:** 405 Washington State Department of Transportation

Ten-year analyses are to be completed by the WSDOT BFA-Economics Office and are limited to agency-estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at http://www.ofm.wa.gov/tax/default.asp.

Estimates

X No Cash Receipts ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

Name of Tax or Fee	Account Code and Title	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total 2019-29
	Choose an item.	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Totals		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Narrative Explanation (Required for all Taxes and/or Fees including "Indeterminate," "Partially Indeterminate," or "No Cash Receipts.")

- **Brief Description of What the Measure does that has I-960 Implications**
  Briefly describe by section number, the provisions of the bill that make it subject to the requirements of I-960.

This bill has no cash receipts impact that WSDOT is to report on as DOR will report on the revenue generated from the carbon pollution tax.

Senate Bill 5373 creates a Carbon Pollution Tax assessed on all fossil fuels used in the state. Section 1 of the bill provides a statement of intent with the proposed changes in the bill. Section 2 provide definitions for this legislation. Section 3 outlines the new carbon pollution tax on the sale or use of all fossil fuels except for fossil fuels used to generate electricity in the state beginning January 1, 2022. The tax rate is $25/per metric ton of greenhouse emissions and the tax rate is indexed at a rate of 5 percent annually. The legal incidence of this tax on motor vehicle fuel and special fuel largely mimics that found in the fuel tax act; taxation is generally at the rack or on the importer. Section 4 outlines the exemptions from the carbon pollution tax which includes interstate commerce and exported fuel. Other exemptions from the carbon pollution tax include aircraft fuel, public entities, tribal sales, agriculture, logging, the activities of tribes on tribal land and "energy-intensive, trade exposed businesses."

Section 8 creates the climate finance account with all the proceeds of the tax deposited into this newly created account . The primary purpose of this new account is the pay the principal and interest on bonds authorized in section 9 of the bill. Therefore, each year on July 1, the state Treasurer shall transfer from the climate finance account to the climate bond retirement account an amount equal to the amount certified by the state finance committee. Then the remaining revenue in the climate finance account shall be dedicated for mitigating climate change.

Section 9 of the bill authorizes $4.943 billion of special tax obligation bonds to be payable by the carbon pollution tax and details the duties of the State Finance Committee in issuing the debt. Section 10 limits issuance of the bonds to a ten year period. Any remaining authorization after ten years expires unless approved by the Legislature. The State Treasurer is also required to submit quarterly reports to the Legislature on issuance progress. The final term of any bonds issued may not extend beyond December 1, 2050. Section 11 states that any bonds issued are not general obligations of the State and are solely payable from the carbon pollution tax. Section 12 creates the Climate Bond Proceeds Account. All bond proceeds issued under this bill must be deposited into this account, and the money may only be spent on certain projects specified. The State Finance Committee is also permitted to issue the debt as taxable bonds as long as they provide written notice to

Ten-Year Analysis

OFM. Section 13 creates the Climate Bond Retirement Account, which would be used to make debt service payments on any bonds issued under this authority.

Cash Receipts Impact

Briefly describe and quantify the cash receipts impact to the legislation on the responding agency, including rates, assumptions, and an explanation if the cash receipts are indeterminate.

The carbon pollution tax will generate millions of dollars per year and will be reported by DOR in their fiscal note. The cash receipts to be reported by WSDOT is $0 as other state agencies will report on the tax revenue sources but there will be positive new revenue and bonding proceeds for transportation projects.

Individual State Agency Fiscal Note

Bill Number: 5373 SB	Title: Carbon Pollution	Agency: 461-Department of Ecology

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	4.1	2.5	3.3	1.3	1.3
Account					
General Fund-State 001-1	779,813	171,643	951,456	0	0
Climate Finance Account-State NEW-1	0	170,643	170,643	348,872	359,898
Total $	779,813	342,286	1,122,099	348,872	359,898

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Capital Budget Impact:

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

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

Check applicable boxes and follow corresponding instructions:

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

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

[X] Capital budget impact, complete Part IV.

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

Legislative Contact:	Bryon Moore	Phone: (360)786-7726	Date: 01/27/2021
Agency Preparation:	Pete Siefer	Phone: 360-407-6646	Date: 02/12/2021
Agency Approval:	Erik Fairchild	Phone: 360-407-7005	Date: 02/12/2021
OFM Review:	Lisa Borkowski	Phone: (360) 902-0573	Date: 02/17/2021

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 bill would institute a carbon pollution tax in Washington state on the sale or use of fossil fuels based on the greenhouse gas (GHG) emissions from the life-cycle of the fossil fuels. It would use revenue from the tax to facilitate the transition from fossil fuels to clean energy. Additionally, this bill would establish an environmental justice panel to provide recommendations in development and implementation of programs, projects and activities for the greenhouse gas (GHG) reduction and natural climate solutions investments established in the bill, and establish a 10-year climate finance program.

Section 2 would define the carbon calculation made by the Department of Ecology (Ecology) in consultation with the Department of Commerce (Commerce) used to determine the carbon pollution tax and life-cycle analysis of emissions associated with the fossil fuels in section 3 of the bill.

Section 3 would establish a carbon pollution tax beginning January 1, 2022, to be imposed on the sale or use of all fossil fuels within the state, except fuels used to generate electricity in the state. The carbon pollution tax would be collected by the Department of Revenue (DOR) and deposited in the Climate Finance Account created under section 8. Beginning July 1, 2022, the tax rate would be equal to $25 per metric ton (MT) of GHG emissions and would automatically increase by five percent each July 1st thereafter and be adjusted for inflation using the consumer price index. Natural gas transported through the state and not produced or delivered in the state would be exempt and fossil fuels would not be taxed more than once per unit of fuel. For the purposes of determining the tax, Ecology would be directed to, in consultation with Commerce, adopt rules with criteria for making the carbon calculation defined in section 2. In addition, Ecology would be required by January 1, 2031, to make a determination of whether the sources of emissions covered by the tax are predicted to achieve the emissions limits in RCW 70A.45.020, and submit the determination and recommendations to the Legislature.

Section 4 would provide for specified exemptions to the carbon pollution tax. Section 4(1)(l) would exempt fossil fuels consumed by energy-intensive, trade-exposed (EITE) industry sectors from the carbon pollution tax and directs DOR, in consultation with Ecology and Commerce, to adopt rules to designate EITE sectors. This section would also direct Ecology to provide a report to appropriate committees of the Legislature by July 30, 2026, on whether to restrict or eliminate the exemption.

Section 5 would allow Ecology and other agencies to adopt rules to administer the new chapter 82.32 RCW established by the bill.

Section 6 would require Commerce, in consultation with DOR and Ecology, to submit a report on or before December 31, 2024, and by December 31st of each even-numbered year thereafter. The report would contain recommendations for modifications or improvements to the chapter created in the bill and include data on total carbon pollution tax collected, estimated administration costs, and economic, health, and environmental impacts of implementation.

Section 7 would allow DOR to request technical assistance from Ecology, Commerce, and the Washington State University extension energy program as necessary to implement the chapter.

Section 8 would create the Climate Finance Account for the deposit of all carbon pollution tax receipts by DOR. Funds in the account would first be used for payment of principal and interest on bonds authorized in section 9 and administration of the requirements of this chapter. Remaining funds beginning July 1, 2023, would be distributed 75 percent to the Greenhouse Gas Emissions Reduction Account created in section 16, and 25 percent to the Natural Climate Solutions Account created in section 17.

Section 12 would establish the Climate Bond Proceeds Account using proceeds from the sale of bonds authorized under section 9 in the amount of $4,943,000,000 over ten years per section 10. Funds from this account could only be used for purposes described in sections 16 and 17.

Section 15 would establish legislative intent for the investments made under the Climate Bond Proceeds Account, Greenhouse Gas Emissions Account, and Natural Climate Solutions Account, to use at least 35 percent of the funds for the benefit of vulnerable populations within highly impacted communities, at least 25 percent for the benefit of projects in rural areas of the state, and at least 10 percent for projects supported by a resolution of an Indian tribe.

Section 16 would create the Greenhouse Gas Emissions Reduction Account. Under section 8, beginning July 1, 2023 (FY 2024), 75 percent of the funds available in the Climate Finance Account, after annual transfers to the Climate Bond Retirement Account and costs to administer this chapter, would be deposited in this account. It is assumed Commerce would administer this funding.

Section 17 would create the Natural Climate Solutions Account. Under section 8, beginning July 1, 2023 (FY 2024), 25 percent of the funds available in the Climate Finance Account, after annual transfers to the Climate Bond Retirement Account and costs to administer this chapter, would be deposited in the Natural Climate Solutions Account. Section 17(2) would authorize expenditures from the Natural Climate Solutions Account to be used for specified clean water and healthy forests investments to improve resilience from climate impacts. Ecology assumes programs for the Natural Climate Solutions Account would be a mix of funding from the operating and capital budget from several agencies, including Ecology, that are not specified under the bill.

Section 18 would establish an Environmental and Economic Justice Panel to provide recommendations in the development and implementation of the programs, projects, and activities on GHG reduction and natural climate solutions authorized in the chapter. Ecology and other specified agencies would be required to coordinate with and assist the panel.

Section 19 would require agencies receiving funding under the bill to consult with tribes on all decisions that may affect tribes' rights and interests in their tribal lands, and to put in place a consultation framework that includes best practices for collaboration with tribes.

Section 23 contains an emergency clause that would make the bill take effect immediately.

II. B - Cash receipts Impact

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

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 2, 3, 4, 18, and 19. There are indeterminate costs for sections 7, 17, and 19.

Ecology assumes the costs estimated below for the carbon calculation, report writing, rulemaking, and ongoing costs would be funded from the Climate Finance Account for administration of this chapter beginning January 1, 2023, when DOR assumes revenue collections into the account would begin. Costs incurred for administration of this chapter before January 1, 2023, are assumed in the state general fund. State general fund is an appropriate account for these activities, because the proposed legislation would support reduction of greenhouse gases. Ecology's Climate Change Mitigation and Adaptation activity (A063) has historically been funded by state general fund. Expenditures from the Natural Climate Solutions Account under section 17 are indeterminate.

Carbon Calculation (Section 2 and 3)

Section 2 would define the carbon calculation made by the Ecology used to determine the carbon pollution tax and life-cycle analysis of emissions associated with the fossil fuels in section 3 of the bill.

Section 3 would require Ecology, in consultation with Commerce, to adopt rules with criteria for making the carbon calculation defined in section 2. Rulemaking is assumed to be highly complex and would take two and a half years beginning July 1, 2021. An emergency rule would be required in order to meet the January 1, 2022, effective date of the carbon pollution tax. Ecology assumes that the emergency rule would be in place, and would require renewal each 120 days, until December 31, 2023, when rulemaking for the final rule would be complete. Rulemaking would require three public meetings and three public hearings between FY 2022 and FY 2024 costing $1,000 each for a total of $3,000 in FY 2022 and $3,000 in FY 2023. Ecology, in consultation with the Attorney General determined costs to assist with rulemaking would be estimated at $9,540 in FY 2022. Staff costs for the rulemaking are estimated as follows:

Rulemaking staff:
-- Environmental Planner 3 (0.85 FTE in FY 2022 and FY 2023 and 0.42 FTE in FY 2024): This position would act as the rulemaking lead, coordinating the process beginning July 1, 2021, through December 31, 2023.

-- Environmental Planner 5 (0.50 FTE in FY 2022 and FY 2023 and 0.25 in FY 2024): This position would act as the technical lead for the carbon calculation beginning July 1, 2021, through December 31, 2023.

-- Community Education and Outreach Specialist 3 (0.20 FTE in FY 2022 and FY 2023 and 0.10 FTE in FY 2024): This position would provide outreach coordination for public input on rulemaking, and organize meetings.

Economic analysis:
-- Economic Analyst 3 (0.25 FTE in FY 2024): This position would complete an economic and regulatory analysis of the proposed rules in the final six months of rulemaking in FY 2024.

-- Regulatory Analyst 2 (0.10 FTE in FY 2024): This position would assist with economic and regulatory analysis in the final six months of rulemaking in FY 2024.

Emergency Rule:
-- Environmental Planner 3 (0.30 FTE in FY 2022, 0.15 FTE in FY 2023 and 0.05 FTE in FY 2024): This position would lead emergency rulemaking from July 1, 2021, to January 1, 2022, and renew the emergency rule each 120 days until the final rule is implemented January 1, 2024.

In addition to the staff efforts above, Ecology would contract for outside technical expertise to update carbon intensity modeling tools (Greenhouse Gases Regulated Emissions and Energy Use in Transportation (GREET) and Oil Production Greenhouse Gas Emissions Estimator (OPGEE)) to reflect Washington-specific data and variables. The modeling tools would help measure life-cycle emissions from fossil fuels identified in the bill. During the 2013 legislative session, E2SSB 5802 committed funds to a study to examine viability of a clean fuel standards program. The OFM fiscal note estimated $175,000 to contract with a consultant for analysis of Washington emissions and energy consumption profile. The consultant preparing the report was Lifecycle Associates, who created the GREET model. While the scope of the project would differ from the analysis conducted in FY 2014, this estimate was used as the basis for estimated contract costs of $200,000 in Object C in FY 2022.

Report to the Legislature (Section 3)

Ecology would be required by January 1, 2031, to make a determination of whether the sources of emissions covered by the carbon pollution tax are predicted to achieve the emissions limits in RCW 70A.45.020, and submit the determination and recommendations to the legislature. This report is beyond the six-year scope of this fiscal note, and therefore costs are not estimated at this time. Ecology assumes we would submit a budget request as needed for additional funding when this work occurs.

EITE Exemptions (Section 4)

Section 4 would require DOR, in consultation with Commerce and Ecology, to adopt rules to designate EITE sectors by June 30, 2022, for purposes of exempting fossil fuels consumed by EITE sectors from the carbon pollution tax. Ecology assumes a GHG subject matter expert and technical lead would provide support to DOR for the rulemaking process estimated at:

-- 0.5 FTE Environmental Specialist 5 in FY 2022

Ecology would be directed to provide a report by July 30, 2026, on whether to restrict or eliminate this exemption. The report would require input and data from industry sectors and other interested persons and must include recommendations for alternatives that would minimize leakage, allow for growth of Washington industries, recognize and provide credit for early actions to reduce emissions, examine availability of alternative fuels, and incorporate performance benchmarking of emissions intensity production processes. Ecology assumes that development of the report would occur in FY 2026 and that costs would be as follows:

-- Environmental Specialist 5 (0.25 FTE in FY 2026): This position would evaluate achievement of GHG reduction targets and different models under varying EITE exemption scenarios, participate in meetings, and lead the report drafting and report writing effort with the Regulatory Analyst.

-- Environmental Planner 5 (0.50 FTE in FY 2026): This position would consider policy implications of EITE exemptions including, models in other states or jurisdictions. This position would also coordinate with industry sectors and evaluate the leakage, and identify early actions to reduce emissions, examine availability of alternative fuels and benchmarking of emissions intensity in production processes.

-- Communications Consultant 5 (0.1 FTE in FY 2026): This position would implement a communications strategy to ensure that impacted groups and the public are informed of opportunities to contribute to recommendations.

-- Community Education and Outreach Specialist 3 (0.2 FTE in FY 2026): This position would provide outreach coordination for public input on report recommendations, and organize meetings.

-- Regulatory Analyst 3 (0.15 FTE in FY 2026): This position would advise on the legislative report writing process, participate in meetings, and work with the Environmental Specialist on drafting and editing the report.

Carbon Pollution Tax Report (Section 6)

Section 6 would require Commerce, in consultation with DOR and Ecology, to submit a report on or before December 31, 2024, and by December 31st of each even-numbered year thereafter. The report would contain recommendations for modifications or improvements to the chapter created in the bill and include data on total carbon pollution tax collected, estimated administration costs, and economic, health, and environmental impacts of implementation. It is assumed that Ecology would supply Commerce with our estimated administrative costs directly associated with administering the carbon tax. It is assumed these costs would be tracked as part of implementation. Reporting this available information to Commerce would not result in a fiscal impact to Ecology.

Technical Assistance (Section 7)

Section 7 would allow DOR to request technical assistance from Ecology, Commerce, and the Washington State University extension energy program as necessary to implement the chapter. Ecology assumes that the technical assistance needed to implement this chapter is included in the fiscal estimates for sections 2, 3, and 4. Any additional assistance required by DOR is indeterminate at this time.

Funding Programs (Section 17)

Section 17 would have an indeterminate fiscal impact to Ecology.

Section 17(2) would authorize expenditures from the Natural Climate Solutions Account to be used for specified clean water and healthy forests investments to improve resilience from climate impacts. Section 17(2)(a) includes investments to: (i) restore and protect estuaries, fisheries, and marine shoreline habitats, and prepare for sea level rise including fish passage correction investments; (ii) increase the ability to remediate and adapt to the impacts of ocean acidification; (iii) reduce flood risk and restore natural floodplain ecological function; (iv) increase the sustainable supply of water and improve aquatic habitat, including groundwater mapping and modeling; (v) improve infrastructure treating stormwater; and (vi) preserve or increase carbon sequestration and storage benefits in agricultural soils and timber stock. Section 17(2)(b) includes investments to: (i) increase resilience to wildfire; (ii) improve forest health; and (iii) assist forestland owners in the protection of riparian and other sensitive aquatic areas by providing compensation for easements.

Under section 8, beginning July 1, 2023 (FY 2024), 25 percent of the funds available in the Climate Finance Account, after annual transfers to the Climate Bond Retirement Account and costs to administer this chapter, would be deposited in the Natural Climate Solutions Account. Ecology assumes programs for the Natural Climate Solutions Account would be a mix of funding from the operating and capital budget.

Under current law, Ecology has operating and capital budget programs related to several of the funding areas identified under section 17(2)(a), including: (i) protection and restoration of marine shoreline habitats, (iii) reduction of flood risk and restoration of natural floodplains, (iv) increasing water supply, and (v) increasing infrastructure treating stormwater.

Ecology assumes that some of the investment areas under section 17(2)(a) would be administered by Ecology. However, the bill does not specify which agency would implement these programs. Therefore, Ecology would have an indeterminate fiscal impact to the operating and capital budget for implementation of programs under secton 17 from the Natural Climate Solutions Account beginning in FY 2024.

Rulemaking: Ecology assumes some of the investment areas administered under section 17 would be grant programs. Section 5 of this bill would provide authority for agencies to adopt rules as necessary to administer this chapter. Ecology assumes that we could begin the grant programs without rule changes given language in statute and existing rules, but that we would need to do rulemaking for grant programs to ensure alignment with this bill and guidance from the panel specified in section 18, and to meet criteria outlined in section 15. The costs for this rulemaking are indeterminate pending determination of which programs Ecology would conduct under the activities described in section 17, as well as guidance provided by the environmental and economic justice panel. Ecology assumes costs for grant program rules would be estimated and requested through the budget process.

Environmental Justice Panel (Section 18)

Section 18 would establish an Environmental and Economic Justice Panel to provide recommendations in the development and implementation of the programs, projects, and activities on GHG reduction and natural climate solutions authorized in the chapter.

Based on OFM assumptions, Ecology assumes the Environmental and Economic Justice Panel would be appointed by July 1, 2021, and that the Governor’s Office of Equity would provide support for the panel. The Panel would hold six one-day in-person meetings in FY 2022. In FY 2023 and ongoing there would be four meetings per fiscal year. Ecology assumes that Ecology staff would provide technical guidance to support Panel decisions requiring staff as follows:

-- Environmental Planner 5 equivalent (1.0 FTE in FY 2022 and 0.5 FTE in FY 2023 and ongoing): This position would represent staff across multiple Ecology programs to provide technical expertise and analysis in the subjects of climate change mitigation and resilience, clean water investments, estuary and marine shoreline habitat restoration, sea level rise impacts, and flood plain restoration as well as water supply and stormwater management.

Tribal Consultation (Section 19)

For any funds received under this bill, Ecology would be required to consult with tribes on all decisions that may affect tribes’ rights and interests in their tribal lands. A consultation framework would need to be developed in coordination with tribal governments that includes best practices, protocols for communication, and collaboration with Indian tribes. We estimate this work would require:

-- Agency Tribal Liaison (0.1 FTE in FY 2022): This position would coordinate with tribal governments to establish the consultation framework.

-- Environmental Planner 5 (0.15 FTE in FY 2022): This position would assist with the framework and provide policy and technical expertise.

This work would also add time for agency staff to conduct the consultation with tribes, however this cost is indeterminate since it is unspecified which activities Ecology would implement under the bill.

SUMMARY: The expenditure impact to Ecology under this bill would be funded from general fund-state for FY 2022 and the first half of 2023. Costs in the second half of FY 2023 and thereafter are assumed from the Climate Finance Account.

Carbon Calculation is estimated to require:
FY 2022: $487,970 and 2.1 FTEs
FY 2023: $255,377 and 1.9 FTEs
FY 2024: $175,054 and 1.3 FTEs

EITE Exemptions are estimated to require:
FY 2022: $72,041 and 0.6 FTEs
FY 2026: $186,080 and 1.4 FTEs

Environmental Justice Panel is estimated to require:
FY 2022: $173,819 and 1.2 FTEs
FY 2023: $86,909 and 0.6 FTEs
FY 2024: $86,909 and 0.6 FTEs
FY 2025: $86,909 and 0.6 FTEs
FY 2026: $86,909 and 0.6 FTEs
FY 2027: $86,909 and 0.6 FTEs

Tribal Consultation is estimated to require:
FY 2022: $45,983 and 0.3 FTEs
FY 2023 and ongoing: Indeterminate

Funding Programs under the Natural Climate Solutions Account:
FY 2024 and thereafter: Indeterminate

THE TOTAL EXPENDITURE IMPACT to Ecology under this bill is estimated to be:
FY 2022: $779,813 and 4.1 FTEs
FY 2023: $342,286 and 2.5 FTEs
FY 2024: $261,963 and 1.9 FTEs
FY 2025: $86,909 and 0.6 FTEs
FY 2026: $272,989 and 2.0 FTEs
FY 2027: $86,909 and 0.6 FTEs

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.
Contracts costs include $200,000 for a private contractor to employ the GREET model in FY 2022.
Goods and Services are the agency average of $4,144 per direct program FTE and an additional $3,000 in each of FY 2022 and FY 2023 for rulemaking meeting costs. Also included is $9,540 for AAG costs in FY 2022.
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
001-1	General Fund	State	779,813	171,643	951,456	0	0
NEW-1	Climate Finance Account	State	0	170,643	170,643	348,872	359,898
		Total $	779,813	342,286	1,122,099	348,872	359,898

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	4.1	2.5	3.3	1.3	1.3
A-Salaries and Wages	310,167	185,352	495,519	190,943	197,146
B-Employee Benefits	113,832	68,026	181,858	70,077	72,351
C-Professional Service Contracts	200,000		200,000		
E-Goods and Other Services	27,458	12,074	39,532	8,991	9,117
G-Travel	7,855	4,780	12,635	4,735	4,800
J-Capital Outlays	4,324	2,628	6,952	2,606	2,643
9-Agency Administrative Overhead	116,177	69,426	185,603	71,520	73,841
Total $	779,813	342,286	1,122,099	348,872	359,898

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

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
COM OUTREACH & ENV ED SP 3	61,224	0.2	0.2	0.2	0.1	0.1
COMM CONSULTANT 5	84,396					0.1
ECONOMIC ANALYST 3	82,344				0.1	
ENVIRONMENTAL PLANNER 3	78,408	1.2	1.0	1.1	0.2	
ENVIRONMENTAL PLANNER 5	95,484	1.7	1.0	1.3	0.6	0.8
ENVIRONMENTAL SPEC 5	78,408	0.5		0.3		0.1
FISCAL ANALYST 2		0.4	0.2	0.3	0.1	0.1
IT APP DEVELOP-JOURNEY		0.2	0.1	0.2	0.1	0.1
REGULATORY ANALYST 2	80,292				0.1	
REGULATORY ANALYST 3	90,888					0.1
WMS BAND 3	110,000	0.1		0.1		
Total FTEs		4.1	2.5	3.3	1.3	1.3

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

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

IV. B - Expenditures by Object Or Purpose

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

IV. C - Capital Budget Breakout

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

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

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

NONE

Funding Programs – Sections 12 and 17

Sections 12 and 17 would have an indeterminate fiscal impact to Ecology.

Section 17(2) would authorize expenditures from the Natural Climate Solutions Account to be used for specified clean water and healthy forests investments to improve resilience from climate impacts. Under section 8, beginning July 1, 2023 (FY 2024), 25 percent of the funds available in the Climate Finance Account, after annual transfers to the Climate Bond Retirement Account and costs to administer this chapter, would be deposited in the Natural Climate Solutions Account. Ecology assumes programs for the Natural Climate Solutions Account would be a mix of funding from the operating and capital budget.

Section 12 would establish the Climate Bond Proceeds Account using proceeds from the sale of bonds authorized under section 9 in the amount of $4,943,000,000 over ten years per section 10. Funds from this account could only be used for purposes described in sections 16 and 17. OFM assumes funding for capital projects for the purposes of sections 16 and 17 would begin in FY 2022 and be appropriated over 5 biennia. Based upon the distribution of revenue in section 8, OFM assumes that bonds authorized in section 9 would be split with 75% going to eligible programs and projects for section 16 and 25% going for eligible programs and projects described in section 17. Allowable expenditures from Climate Bond Proceeds Account include bond repayment and issuance cost, capital projects that meet the requirements of OFM capital budget instructions, and administration costs directly related to the identified capital projects.

Under current law, Ecology has operating and capital budget programs related to several of the funding areas identified under section 17(2)(a), including: (i) protection and restoration of marine shoreline habitats, (iii) reduction of flood risk and restoration of natural floodplains, (iv) increasing water supply, and (v) increasing infrastructure treating stormwater.

Ecology assumes that some of the investment areas under section 17(2)(a) would be administered by Ecology. However, the bill does not specify which agency would implement these programs. Therefore, Ecology would have an indeterminate fiscal impact to the capital budget for implementation of programs under section 17 from the Climate Bond Proceeds Account beginning in FY 2022, and from the Natural Climate Solutions Account beginning in FY 2024.

Part V: New Rule Making Required

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

Section 3 would require Ecology to conduct rulemaking to adopt criteria for making the carbon calculation.

Ecology also assumes we would conduct rulemaking under section 5 authority if new grant programs were to be established related to activities under section 17 to ensure alignment with this bill and guidance from the panel.

SB 5373 Carbon Pollution Tax - Department of Ecology Fiscal Note Expenditure Overview

OPERATING BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Section 3 - Carbon Calculation	**487,970**	**255,377**	**175,054**	**0**	**0**	**0**
Total FTEs	2.1	1.9	1.3	0.0	0.0	0.0
Staff costs	275,430	252,377	175,054	0	0	0
GREET model contract	200,000					
AAG costs	9,540					
Meeting costs	3,000	3,000				
Section 4 -- EITE Exemptions	**72,041**	**0**	**0**	**0**	**186,080**	**0**
Total FTEs	0.6	0.0	0.0	0.0	1.4	0.0
Staff costs	72,041	0	0	0	186,080	0
Section 17 - Natural Climate Solutions Account	0	0	Expenditures are Indeterminate beginning FY 2024			
Section 18 - Environmental Justice Panel	**173,819**	**86,909**	**86,909**	**86,909**	**86,909**	**86,909**
Total FTEs	1.2	0.6	0.6	0.6	0.6	0.6
Staff costs	173,819	86,909	86,909	86,909	86,909	86,909
Section 19 - Tribal Consultation Framework	**45,983**					
Total FTEs	0.3					
Staff costs	45,983					
Consultation	Expenditures are Indeterminate beginning FY 2022					
ECOLOGY TOTAL OPERATING FTEs	**4.1**	**2.5**	**1.9**	**0.6**	**2.0**	**0.6**
ECOLOGY TOTAL OPERATING EXPENDITURES	**779,813**	**342,286**	**261,963**	**86,909**	**272,989**	**86,909**
	Additional Indeterminate Expenditures for Sections 7, 17, and 19					

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

CAPITAL BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Section 12 - Climate Bond Proceeds Account	Expenditures are Indeterminate beginning FY 2022					
Section 17 - Natural Climate Solutions Account	0	0	Expenditures are Indeterminate beginning FY 2024			
ECOLOGY TOTAL CAPITAL FTEs						
ECOLOGY TOTAL CAPITAL EXPENDITURES	**Capital Expenditures are Indeterminate for Sections 12 and 17**					

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5373 SB	Title: Carbon Pollution

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

Legislation Impacts:

- [X] Cities: cities with eligible projects could receive grants or loans
- [X] Counties: counties with eligible projects could receive grants or loans
- [X] Special Districts: special purpose districts with eligible projects could receive grants or loans
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [ ] Legislation provides local option:
- [X] Key variables cannot be estimated with certainty at this time: It is unknown which local government may receive loans or grants or for how much

Estimated revenue impacts to:

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

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 02/04/2021
Leg. Committee Contact: Bryon Moore	Phone: (360)786-7726	Date: 01/27/2021
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/04/2021
OFM Review: Lisa Borkowski	Phone: (360) 902-0573	Date: 02/14/2021

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 bill would add a new chapter to RCW 82 to establish a carbon pollution tax to be assessed on all fossil fuels sold or used in the state, except those used to generate electricity beginning January 1, 2022.

Section 1- provides a statement of intent with the proposed changes in the bill

Section 2- provides definitions for the new chapter

Section 3- outlines the new Carbon Pollution Tax on the sale or use of all fossil fuels, except those used to generate electricity, in the state beginning January 1, 2022. The tax rate is $25 per metric ton of greenhouse emissions and the tax rate is increased at a rate of 5 percent annually.

Section 4- outlines the exemptions from the carbon pollution tax which includes interstate commerce and exported fuel. Other exemptions from the carbon pollution tax include aircraft fuel, public entities, tribal sales, agriculture, logging, the activities of tribes on tribal land and energy-intensive, trade exposed businesses.

Section 5- allows the Washington State Department of Transportation (WSDOT) to adopt rules as necessary to administer the chapter.

Section 6- outlines the requirements for the Department of Commerce

Section 7- requires the Department of Commerce, Department of Ecology, and the Washington State University Extension energy program to provide technical assistance to the Department of Revenue upon request

Section 8- creates the Climate Finance Account with all the proceeds of the tax deposited into this newly created account. The primary purpose of this new account is to pay the principal and interest on bonds authorized in section 9 of the bill. Therefore, each year on July 1, the state Treasurer shall transfer from the Climate Finance Account to the Climate Bond Retirement Account an amount equal to the amount certified by the state finance committee. The remaining revenue in the Climate Finance Account shall be dedicated for mitigating climate change

Section 9- authorizes $4.94 billion of special tax obligation bonds to be payable by the carbon pollution tax and outlines the duties of the State Finance Committee in issuing the debt

Section 10- limits issuance of the bonds to a ten-year period. Any remaining authorization after ten years expires unless approved by the legislature. Additionally, the Office of the State Treasurer must send quarterly reports to the legislature on issuance progress. The final term of any bonds issued may not extend beyond December 1, 2050

Section 11- specifies that any bonds issued are not general obligations of the state and are solely payable from the Carbon Pollution Tax

Section 12- creates the Climate Bond Proceeds Account. All proceeds from the sale of bonds authorized in section 9, must be deposited in the account and the money may only be spent on certain specified projects. The State Finance Committee is also allowed to issue the debt as taxable bonds if they supply written notice to the Office of Financial Management.

Section 13- creates the Climate Bond Retirement Account, which would be used to make debt service payments on any bonds issued under this authority

Section 14- authorizes the state finance committee to issue bonds to refund outstanding bonds issued under this chapter

Section 15- outlines how proceeds from the investments made must be used

Section 16- creates the greenhouse gas emissions reduction account in the state treasury and outlines how the Department of Commerce must use the funds deposited into the account from the climate finance account

Section 17- creates the natural climate solutions account in the state treasury and outlines how the Department of Health must use the funds deposited into the account from the climate finance account

Section 18- establishes an environmental and economic justice panel, names the department, and other state agencies, as decided by the governor, who must coordinate and aid the panel

Section 19- requires any state agency receiving funding from the accounts created in this chapter must consult with Indian tribes on all decisions that may affect Indian tribes' right and interests in their tribal lands.

Section 20- names the new chapter the Washington Sustainable Transformative Recovery Opportunities for the Next Generation Act

This legislation includes an emergency clause and takes effect immediately upon the Governor signing.

B. SUMMARY OF EXPENDITURE IMPACTS

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

This bill would not impact local government expenditures because no action is required.

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.

This legislation would have an indeterminate revenue impact on local governments. Some of the money collected from this carbon pollution tax will be used as loans or grants for projects meeting the requirements outlined in the bill. It is unknown which jurisdictions would receive funding or for how much.

Sources
Department of Transportation fiscal note, 5373 SB