Multiple Agency Fiscal Note Summary

Bill Number: 5126 E 2S SB	**Title:** Climate commitment act

Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of Attorney General	0	0	194,000	0	0	194,000	0	0	118,000
Department of Revenue	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Ecology	0	0	228,361,158	0	0	920,842,618	0	0	933,496,483
Department of Ecology	In addition to the estimate above,there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
Total $	**0**	**0**	**228,555,158**	**0**	**0**	**921,036,618**	**0**	**0**	**933,614,483**

Agency Name	2021-23		2023-25		2025-27	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of the Governor	.5	0	0	177,632	2.0	0	0	632,128	2.0	0	0	619,328
Office of Attorney General	.7	0	0	194,000	.7	0	0	194,000	.4	0	0	118,000
Department of Commerce	.1	40,350	40,350	40,350	.0	0	0	0	.1	40,350	40,350	40,350
Office of Financial Management	.1	0	0	85,054	.3	0	0	167,608	.3	0	0	117,608
Department of Revenue	.2	30,200	30,200	30,200	.0	0	0	0	.0	0	0	0
Department of Revenue	In addition to the estimate above,there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Utilities and Transportation Commission	.5	0	0	136,850	.3	0	0	75,066	.5	0	0	136,850
Department of Health	.0	0	0	0	.0	0	0	0	.0	0	0	0
University of Washington	.0	1,832,360	1,832,360	1,832,360	.0	3,466,613	3,466,613	3,466,613	.0	3,409,734	3,409,734	3,409,734
Washington State University	.3	1,717,614	1,717,614	1,717,614	.5	3,800,148	3,800,148	3,800,148	.5	4,351,919	4,351,919	4,351,919
Department of Transportation	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Department of Ecology	52.5	0	0	23,291,412	48.9	0	0	21,258,802	44.9	0	0	19,308,287
Department of Ecology	In addition to the estimate above,there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Environmental and Land Use Hearings Office	.0	0	0	0	.0	145,800	145,800	145,800	.0	145,800	145,800	145,800
Total $	**54.9**	**3,620,524**	**3,620,524**	**27,505,472**	**52.7**	**7,412,561**	**7,412,561**	**29,740,165**	**48.7**	**7,947,803**	**7,947,803**	**28,247,876**

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of the Governor	.0	0	0	.0	0	0	.0	0	0
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Utilities and Transportation Commission	.0	0	0	.0	0	0	.0	0	0
Department of Health	.0	0	0	.0	0	0	.0	0	0
University of Washington	.0	0	0	.0	0	0	.0	0	0
Washington State University	.0	0	0	.0	0	0	.0	0	0
Department of Transportation	.0	0	0	.0	0	0	.0	0	0
Department of Ecology	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Environmental and Land Use Hearings Office	.0	0	0	.0	0	0	.0	0	0
Total $	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

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

Prepared by: Lisa Borkowski, OFM	Phone: (360) 902-0573	Date Published: Final 4/19/2021

Individual State Agency Fiscal Note

Bill Number: 5126 E 2S SB	Title: Climate commitment act	Agency: 075-Office of the Governor

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	1.0	0.5	2.0	2.0
Account					
Climate Investment Account-State NEW-1	0	177,632	177,632	632,128	619,328
Total $	0	177,632	177,632	632,128	619,328

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:	Nikkole Hughes	Phone: 360-786-7156	Date: 04/10/2021
Agency Preparation:	Jim Jenkins	Phone: 360-902-0403	Date: 04/12/2021
Agency Approval:	Jamie Langford	Phone: (360) 870-7766	Date: 04/12/2021
OFM Review:	Tyler Lentz	Phone: (360) 790-0055	Date: 04/12/2021

Part II: Narrative Explanation

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

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

The changes related this new bill version does not change the fiscal impact related to the Office of Equity. The fiscal impact remains the same.

Previous Second Substitute Version of the bill:

Section 5:

The Office of Equity shall establish an environmental justice and equity advisory panel to provide recommendations to the legislature and the governor in the development and implementation of the program established in Sections 7 through 22 including, but not limited to, linkage agreements with other jurisdictions, protocols for establishing offset projects and securing offset credits, designation of emissions-intensive and trade-exposed industries, and administration of allowances under the program.

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

The purpose of the panel is to:

1) Provide recommendations to the legislature, agencies and the governor in the development of:
(a) The program established in Section 7 through 22 of this bill and linkage agreements with other jurisdictions, protocols for establishing offset projects and securing offset credits, and administration of allowances under the program; and
(b) Investment plans and funding proposals for the programs funded from the climate investment account.
2) Provide a forum to analyze policies adopted under this chapter to determine if the policies lead to improvements within overburdened communities;
3) Recommend procedures and criteria for evaluating programs, activities, or projects for review;
4) Recommend emissions reduction goals in overburdened communities;
5) Evaluate the level of funding provided to assist vulnerable populations, low-income individuals, and impacted workers and the funding of projects and activities located within or benefiting overburdened communities;
6) Recommend environmental justice and environmental health goals for programs, activities, and projects funded from the climate investment account, and review agency annual reports on outcomes and progress toward meeting goals;
7) Provide recommendations to implementing agencies for meaningful consultation with vulnerable populations; and
8) Recommend how to support public participation through capacity grants for participation.

The governor shall appoint a chair, subject to confirmation by the senate, who is responsible for overseeing the duties of the environmental justice and equity advisory panel. The chair is paid a salary fixed by the governor in accordance with RCW 43.03.040.

The environmental justice and equity advisory panel shall meet on a schedule established by the office of equity, in consultation with the department of ecology.

The office of equity shall provide all administrative and staff support for the environmental justice and equity advisory panel.

The environmental justice and equity advisory panel is designated as a class one group under RCW 43.03.220. Expenses for this group must be included in costs to support and administer the program and are an allowable expense under the Climate Investment Account (Section 24(2)(a)).

In consultation with the office of equity and the environmental justice council, the governor may administratively address how to effectively coordinate the work of the environmental justice and equity advisory panel with the work of the environmental justice council.

Section 24:

The climate investment account is created in the state treasury.

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 5:

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

It is assumed the panel would consist of 20 members.

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

The purpose of the panel is to provide recommendations to the legislature, agencies and the governor on the program established in Section 7 through Section 22. This bill provides additional clarification in Section 5 (3)(i) that the panel is to provide recommendations on including but not limited to linkage agreements with other jurisdictions, protocols for establishing offset projects and securing offset credits, designation of emissions-intensive and trade-exposed industries and administering allowances under the program.

In order to provide these recommendations the Panel will need contracted support to inform recommendations on offset protocols, allowances and linkages with other jurisdictions. Total contracted support costs for this work is provided in the Office of Financial Management (OFM) fiscal note as the shared service provider for the Governor's Office and are not included in the Governor's Office fiscal note and are as follows:

OFM fiscal note costs:

FY 23 = $85,000
FY 24 through FY 26 = $84,000 per fiscal year
FY 27 = $34,000

Section 5 (4) requires that the chair of the panel be appointed by the Governor and be paid a salary fixed by the Governor in accordance with RCW 43.03.040. This position would begin January 1, 2023 and is assumed to be compensated as a 1.0 FTE Program Manager with and annual salary of $102,000 plus benefits, and standard agency costs for goods and services, travel, and one time equipment costs.

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

Travel expense payments for nongovernmental members is estimated at $200 per member x 20 = $4,000 per meeting.
Total costs is estimated at:
FY 23 = $12,000 (3 meetings x 4,000)
FY 24 = $16,000 (4 meetings x $ 4,000)
FY 25 and thereafter = $8,000 (2 meetings x $ 4,000)

Based upon Olympia lunch per diem of $20 per person, meeting and light refreshments at $20 per member X 20 = $400 per meeting and is estimated at:
FY 23 = $1,200 (3 meetings X $400)
FY 24 = $1,600 (4 meetings X $400)
FY 25 and thereafter = $800 (2 meetings x $400)

Meeting space rental cost at $2,000 per meeting and is estimated at:
FY 23 = $6,000 (3 meetings X $2,000)
FY 24 = $8,000 (4 meetings X $2,000)
FY 25 and thereafter = $4,000 (2 meetings x $400)

In FY 23 the costs for the panel would be paid with state General Fund. Beginning in FY 25 and beyond, the Climate Investment Account is used as provided in Section 5 (7).

Total costs for Section 5:
FY 23 = $178,000
FY 24 = $322,000
FY 25 and ongoing = $310,000

** The costs associated with this bill assumes that there will be minimal work related to required shared services (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 Investment Account	State	0	177,632	177,632	632,128	619,328
		Total $	0	177,632	177,632	632,128	619,328

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		1.0	0.5	2.0	2.0
A-Salaries and Wages		91,000	91,000	364,000	364,000
B-Employee Benefits		31,032	31,032	124,128	124,128
C-Professional Service Contracts					
E-Goods and Other Services		31,200	31,200	110,400	105,600
G-Travel		14,400	14,400	33,600	25,600
J-Capital Outlays		10,000	10,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	177,632	177,632	632,128	619,328

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 (Chair)	102,000		0.5	0.3	1.0	1.0
Project Manager	80,000		0.5	0.3	1.0	1.0
Total FTEs			1.0	0.5	2.0	2.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5126 E 2S SB	Title: Climate commitment act	Agency: 100-Office of Attorney General

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Legal Services Revolving Account-State 405-1	97,000	97,000	194,000	194,000	118,000
Total $	97,000	97,000	194,000	194,000	118,000

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.7	0.7	0.7	0.7	0.4
Account					
Legal Services Revolving Account-State 405-1	97,000	97,000	194,000	194,000	118,000
Total $	97,000	97,000	194,000	194,000	118,000

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:	Nikkole Hughes	Phone: 360-786-7156	Date: 04/10/2021
Agency Preparation:	Stacia Hollar	Phone: (360) 664-0865	Date: 04/15/2021
Agency Approval:	Dianna Wilks	Phone: 360-709-6463	Date: 04/15/2021
OFM Review:	Tyler Lentz	Phone: (360) 790-0055	Date: 04/15/2021

Part II: Narrative Explanation

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

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

Section 1 is a statement of legislative findings.

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

Section 3 requires ECY to use the Department of Health's environmental health disparities map to make a high priority list of overburdened communities, analyze and monitor greenhouse gas emissions there, and beginning in 2025 conduct biannual reviews to determine if emissions are being reduced in those communities. Stricter air quality standards must be adopted if emissions are not decreasing. Actions imposed under section may not be disproportionate to contributions.

Section 4 requires agencies using climate investment account funds to provide at least 35 percent of funding to overburdened communities. Annual reporting is required to the environmental justice and equity advisory panel.

Section 5 requires the office of equity to establish an environmental justice and equity advisory panel, with membership composition set forth.

Section 6 requires consultation with federally recognized tribes on certain funding decisions and programs.

Section 7 requires ECY to implement a program for a greenhouse gas emissions cap for covered entities.

Section 8 sets budgets and timelines, requiring ECY to commence the program by January 1, 2023.

Section 9 defines covered entities.

Section 10 calls for ECY adopting rules for registry of covered entities.

Section 11 creates auctions for greenhouse gas allowances, with ECY required to adopt rules to implement.

Section 12 provides for allocation of allowances to emissions-intensive and trade-exposed industries and for ECY to adopt rules. Addresses requirements of ECY report to the legislature.

Section 13 requires ECY to adopt rules establishing allowances for consumer-owned and investor-owned electric utilities.

Section 14 requires allocation of allowances to natural gas utilities and for ECY to adopt rules.

Section 15 requires ECY to maintain an emissions containment reserve to help ensure the price of allowances remains sufficient to incentivize reductions in greenhouse gas emission and for ECY to adopt rules.

Section 16 requires ECY to adopt rules for setting floor auction prices of allowances and for holding auctions.

Section 17 requires ECY to establish a price ceiling.

Section 18 requires ECY to adopt rules for offset projects and credits. Beginning in 2031 limits apply unless ECY modifies by rule after a public consultation process.

Section 19 requires ECY to establish an assistance program for offsets on federally recognized tribal lands.

Section 20 establishes compliance obligations, with ECY to adopt rules.

Section 21 sets up enforcement of submitting allowances to meet compliance obligations, including penalties of allowances and fines.

Section 22 requires ECY to seek to link with other jurisdictions with established greenhouse gas trading programs.

Section 23 requires ECY to adopt rules, including emergency rules, to implement sections 7-22.

Section 24 creates a climate investment account.

Section 25 amends RCW 70A.15.2200 to require rules be adopted to implement section 7.

Section 26 names the act the Washington Climate Commitment Act.

Section 27 adds sections 1-24 and 26 to a new chapter in title 70A RCW.

Section 28 provides that sections 7-22, and any rules adopted by ECY to implement those sections, are suspended on December 31. 2055 if certain conditions are met.

Section 29 amends RCW 43.88.055 to add the climate investment account.

Section 30 is a severability clause.

II. B - Cash receipts Impact

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

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

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

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

II. C - Expenditures

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

Attorney General's Office (AGO) Agency Assumptions:

1. This bill is assumed effective 90 days after the end of the 2021 legislative session.

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

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

4. The AGO Transportation & Public Construction Division (TPC) has reviewed this bill and determined it will not significantly increase the division's workload in representing the Washington State Department of Transportation (DOT). This bill creates a cap and invest program to reduce, over time, greenhouse gas emissions. The substitute bill made a number of changes, a few affecting DOT. The most prominent change includes specifying amounts from auction proceeds be directed to the Forward Flexible Account and the Climate Investment Account. TPC expects to devote minimal legal resources to DOT in its implementation of this bill, should it be enacted. New legal services are nominal and costs are not included in this request.

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

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

2. This bill requires ECY to engage in several complex rulemakings from 2022 through 2025 to implement the cap and trade program. AGO-ECY assumes 0.4 Assistant Attorney General (AAG) in FY 2022, 2023, 2024 and FY 2025 to provide legal research and advice on the complex issues raised by these rulemakings, and by the implementation and enforcement of the cap and trade program.

3. Beginning in FY 2026, AGO-ECY assumes a need for 0.25 AAG for advice on implementation and enforcement of the cap and trade program. AGO-ECY estimates one appeal every two years of ECY enforcement actions taken as a result of this bill.

4. This fiscal note assumes that ECY will adopt a rule under Section 9 to determine how to evaluate net cumulative emissions reductions during the July 1, 2023-3025 period.

5. This fiscal note assumes that compliance obligations under the act are not delayed or suspended due to the lack of the passage of a separate additive transportation funding law per Section 20 of the bill.

6. Total workload impact:
FY 2022 through FY 2025: 0.4 AAG and 0.2 Legal Assistant (LA) at a cost of $97,000 per FY.
FY 2026 and in each FY thereafter: 0.25 AAG and 0.13 LA at a cost of $59,000.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
405-1	Legal Services Revolving Account	State	97,000	97,000	194,000	194,000	118,000
		Total $	97,000	97,000	194,000	194,000	118,000

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.7	0.7	0.7	0.7	0.4
A-Salaries and Wages	63,000	63,000	126,000	126,000	80,000
B-Employee Benefits	20,000	20,000	40,000	40,000	24,000
E-Goods and Other Services	12,000	12,000	24,000	24,000	14,000
G-Travel	1,000	1,000	2,000	2,000	
J-Capital Outlays	1,000	1,000	2,000	2,000	
Total $	97,000	97,000	194,000	194,000	118,000

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

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Assistant Attorney General	108,600	0.4	0.4	0.4	0.4	0.3
Legal Assistant 3	54,108	0.2	0.2	0.2	0.2	0.1
Management Analyst 5	88,644	0.1	0.1	0.1	0.1	0.1
Total FTEs		0.7	0.7	0.7	0.7	0.4

III. D - Expenditures By Program (optional)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Ecology Division (ECY)	97,000	97,000	194,000	194,000	118,000
Total $	97,000	97,000	194,000	194,000	118,000

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5126 E 2S SB	Title: Climate commitment act	Agency: 103-Department of Commerce

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1	0.1	0.1	0.0	0.1
Account					
General Fund-State 001-1	20,175	20,175	40,350	0	40,350
Total $	20,175	20,175	40,350	0	40,350

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: Nikkole Hughes	Phone: 360-786-7156	Date: 04/10/2021
Agency Preparation: Marla Page	Phone: 360-725-3129	Date: 04/13/2021
Agency Approval: Joyce Miller	Phone: 360-725-2710	Date: 04/13/2021
OFM Review: Gwen Stamey	Phone: (360) 902-9810	Date: 04/14/2021

Part II: Narrative Explanation

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

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

Differences between the engrossed second substitute bill and the second substitute bill :

There are no differences between the engrossed second substitute bill and the second substitute bill that affect the fiscal impact to the Department of Commerce (department).

The engrossed second substitute senate bill removes Section 26 for the legislature to pursue economic and environmental interests to recognize siting and placement of new best in class facilities that provide for the displacement of more carbon-intensive processes.

Summary of the engrossed second substitute bill:

Climate Commitment Act - Establishes a cap and trade program for greenhouse gas (GHG) emissions. Ecology establishes and operates the cap and trade program. Allowances are auctioned and the Legislature appropriates the revenue.

Section 9 requires Department of Ecology (Ecology) in consultation with the department and Utilities and Transportation (UTC) to adopt a methodology by October 1, 2026 for addressing imported electricity associated with a centralized electricity market.

Section 13(2)(a)(b) requires Ecology in consultation with the department and UTC, to adopt rules to establish the methods and procedures to mitigate the impact on rates or charges on citizens of the state for electricity services and to adopt an allocation schedule. The rules must be adopted by October 1, 2022.

Section 13(2)(c) requires Ecology in consultation with the department and UTC, to adopt rules for provision of allowances for the second compliance period at no cost to citizens of the state for electricity services, and must be consistent with a forecast that is approved by the appropriate governing board or UTC. The rule must be adopted by October 1, 2026.

Section 13(2)(d) requires Ecology in consultation with the department and UTC, to adopt rules for provision of allowances for the compliance periods contained within calendar years 2031 through 2045. The rule must be adopted by October 1, 2028

Section 13(3) adds the requirement for Ecology in consultation with the department and UTC, to adopt rules governing the amount of allowances allocated at no cost under subsection (2)(c) of this section that must be consigned to auction. The rule must be adopted by October 1, 2026.

Section 13(4) states benefits of all allowances consigned to auction under this section must be used by consumer-owned and investor-owned electric utilities for the benefit of ratepayers, prioritizing mitigation of any rate impacts to low-income customers.

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

II. B - Cash receipts Impact

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

II. C - Expenditures

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

The bill states Ecology will consult with the department and UTC for rulemaking to adopt rules in order to mitigate the impact on rates or charges on citizens of the state for electricity services, and in developing a methodology for attributing emissions to electricity purchased in centralized electricity markets imported from other states.

Additionally, Ecology will also consult with the department and UTC for rulemaking to adopt rules governing the amount of allowances allocated at no cost that must be consigned to auction.

To complete this work, the department estimates:

0.1 FTE EMS2 Energy Policy Specialist (208 hours) in FY22-FY23, and 0.1 FTE EMS2 Senior Energy Policy Specialist (208 hours) in FY26-FY27, and 0.1 FTE EMS2 Senior Energy Policy Specialist (208 hours) in FY28-FY29 to coordinate with Ecology and consult on rulemaking and development of methodologies for attributing emissions.

Salaries and Benefits
FY22-FY23: $14,655 per fiscal year
FY26-FY27: $14,655 per fiscal year

Goods and Other Services
FY22-FY23: $537 per fiscal year
FY26-FY27: $537 per fiscal year

Intra-agency Reimbursement:
FY22-FY23: $4,983 per fiscal year
FY26-FY27: $4,983 per fiscal year

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

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Total Estimated Costs
FY22-FY23: $20,175 per fiscal year
FY26-FY27: $20,175 per 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
001-1	General Fund	State	20,175	20,175	40,350	0	40,350
		Total $	20,175	20,175	40,350	0	40,350

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1	0.1	0.1		0.1
A-Salaries and Wages	11,106	11,106	22,212		22,212
B-Employee Benefits	3,549	3,549	7,098		7,098
C-Professional Service Contracts					
E-Goods and Other Services	537	537	1,074		1,074
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	4,983	4,983	9,966		9,966
9-					
Total $	20,175	20,175	40,350	0	40,350

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

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Administrative Services - Indirect	69,552	0.0	0.0	0.0		
EMS Band 2	111,060	0.1	0.1	0.1		0.1
Total FTEs		0.1	0.1	0.1		0.1

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5126 E 2S SB	Title: Climate commitment act	Agency: 105-Office of Financial Management

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	0.3	0.1	0.3	0.3
Account					
Climate Investment Account-State NEW-1	0	85,054	85,054	167,608	117,608
Total $	0	85,054	85,054	167,608	117,608

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:	Nikkole Hughes	Phone: 360-786-7156	Date: 04/10/2021
Agency Preparation:	Jim Jenkins	Phone: 360-902-0403	Date: 04/12/2021
Agency Approval:	Jamie Langford	Phone: 360-902-0422	Date: 04/12/2021
OFM Review:	Tyler Lentz	Phone: (360) 790-0055	Date: 04/12/2021

Part II: Narrative Explanation

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

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

The changes to this new bill version does not change the work related to the Office of Financial Management (OFM). The fiscal impact remains the same as the previous bill version.

Previous Second Substitute bill version:

Section 5:

The Office of Equity shall establish an environmental justice and equity advisory panel to provide recommendations to the legislature and the governor in the development and implementation of the program established in Sections 7 through 22 including, but not limited to, linkage agreements with other jurisdictions, protocols for establishing offset projects and securing offset credits, designation of emissions-intensive and trade-exposed industries, and administration of allowances under the program.

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

The purpose of the panel is to:

1) Provide recommendations to the legislature, agencies and the governor in the development of:
   (a) The program established in Section 7 through 22 of this bill and linkage agreements with other jurisdictions, protocols for establishing offset projects and securing offset credits, and administration of allowances under the program; and
   (b) Investment plans and funding proposals for the programs funded from the climate investment account.
2) Provide a forum to analyze policies adopted under this chapter to determine if the policies lead to improvements within overburdened communities;
3) Recommend procedures and criteria for evaluating programs, activities, or projects for review;
4) Recommend emissions reduction goals in overburdened communities;
5) Evaluate the level of funding provided to assist vulnerable populations, low-income individuals, and impacted workers and the funding of projects and activities located within or benefiting overburdened communities;
6) Recommend environmental justice and environmental health goals for programs, activities, and projects funded from the climate investment account, and review agency annual reports on outcomes and progress toward meeting goals;
7) Provide recommendations to implementing agencies for meaningful consultation with vulnerable populations; and
8) Recommend how to support public participation through capacity grants for participation.

The governor shall appoint a chair, subject to confirmation by the senate, who is responsible for overseeing the duties of the environmental justice and equity advisory panel. The chair is paid a salary fixed by the governor in accordance with RCW 43.03.040.

The environmental justice and equity advisory panel shall meet on a schedule established by the office of equity, in consultation with the department of ecology.

The office of equity shall provide all administrative and staff support for the environmental justice and equity advisory panel.

The environmental justice and equity advisory panel is designated as a class one group under RCW 43.03.220. Expenses for this group must be included in costs to support and administer the program and are an allowable expense under the Climate Investment Account (Section 24(2)(a)).

In consultation with the office of equity and the environmental justice council, the governor may administratively address how to effectively coordinate the work of the environmental justice and equity advisory panel with the work of the environmental justice council.

Section 24:

The climate investment account is created in the state treasury.

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 purpose of the environmental justice and equity advisory panel (Panel) is to provide recommendations to the legislature, agencies and the governor on the program established in Section 7 through Section 22. This bill provides additional clarification in Section 5 (3)(i) that the panel is to provide recommendations on including but not limited to linkage agreements with other jurisdictions, protocols for establishing offset projects and securing offset credits, designation of emissions-intensive and trade-exposed industries, and administration of allowances under the program.

In order to provide recommendations to the legislature, the Panel will need contracted support to provide recommendations on offset protocols, allowances and linkages with other jurisdictions. A total of $50,000 is provided each fiscal year beginning FY 2023 through FY 2026 for contracted support for these duties.

Beginning January 1, 2023 it is assumed that the work related to creating these multiple linkage agreements, would require a 0.25 FTE Contracts Specialist with an annual salary of $80,000 plus benefits, costs of goods and services, and one-time equipment costs.

Total costs for procuring, administering, and other contract support are as follows :

FY 23 = $85,000
FY 24 - FY 26 = $84,000
FY 27 = $34,000

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 Investment Account	State	0	85,054	85,054	167,608	117,608
		Total $	0	85,054	85,054	167,608	117,608

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.3	0.1	0.3	0.3
A-Salaries and Wages		20,004	20,004	40,008	40,008
B-Employee Benefits		7,200	7,200	14,400	14,400
C-Professional Service Contracts		50,000	50,000	100,000	50,000
E-Goods and Other Services		6,000	6,000	12,000	12,000
G-Travel		600	600	1,200	1,200
J-Capital Outlays		1,250	1,250		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	85,054	85,054	167,608	117,608

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
Contracts Specialist	80,000		0.3	0.1	0.3	0.3
Total FTEs			0.3	0.1	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

Department of Revenue Fiscal Note

Bill Number: 5126 E 2S SB	Title: Climate commitment act	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

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

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.2	0.1	0.2		
Account					
GF-STATE-State 001-1	20,200	10,000	30,200		
Total $	20,200	10,000	30,200		

In addition to the estimates above, there are additional indeterminate costs 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:	Nikkole Hughes	Phone: 360-786-7156	Date: 04/10/2021
Agency Preparation:	Preston Brashers	Phone: 360-534-1473	Date: 04/15/2021
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 04/15/2021
OFM Review:	Ramona Nabors	Phone: (360) 902-0547	Date: 04/18/2021

Part II: Narrative Explanation

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

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

Note: This fiscal note reflects language in E2SSB 5126, 2021 Legislative Session.

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

CURRENT LAW:
Washington does not currently have a cap and trade system and there is no Washington-based market for businesses to trade carbon allowances.

DIFFERENCES FROM PREVIOUS VERSION:
Senate amendment AMS WM S2397.5 makes various changes that do not appear to directly impact the Department. These changes include:
- Section 3 prohibits the Department of Ecology (Ecology) from imposing requirements on high priority emitters in overburdened communities that are disproportionate to the emitters' contributions to air pollution in those communities.
- In Section 8(3), the deadline for Ecology to complete an evaluation of the greenhouse gas (GHG) cap and investment program is changed from December 31, 2028 to December 31, 2027. This subsection also requires Ecology to make public the metrics used in evaluation of the program's achievement of emission reduction limits.
- Section 10(7) and 10(10) require Ecology to provide information about the contents of participants' holding accounts and a roster of entities in the program on a public website.
- Section 12(3) sets a schedule for Ecology to allocate allowances to emissions-intensive trade-exposed facilities over the four-year compliance periods beginning in 2023, 2027, and 2031.
- Section 18(7) states that certain limitations on offsets go into effect beginning in 2031.
- Section 26 is moved into Section 9(9).

OVERVIEW
The bill requires Ecology, by January 1, 2023, to implement a program to cap GHG emissions in the state. Under the program, Ecology must set a budget of annual emissions and distribute emission allowances by auction through a qualified contractor. The program must also allow participants to buy, sell, and trade allowances to and from other participants.

Allowance Auction and Trading
The bill requires Ecology to set the annual allowance budget to ensure that the emission limits for 2030, 2040, and 2050 in RCW 70A.45.020 are met. The bill stipulates that Ecology shall distribute emission allowances by auction not more than four times per year, except for any necessary reserve auctions. Ecology must use an electronic tracking system to track compliance and to track the buying, selling, and trading of allowances obtained at auction.

Offset Credits
Ecology is required to adopt rules that allow entities to meet a limited portion of their compliance obligation with offset credits. Ecology may grant offset credits to entities that carry out projects that result in a reduction in GHG emissions and that directly benefit Washington or take place in Washington or a linked jurisdiction. Ecology must ensure that offset credits are registered and electronically tracked.

Price Containment Mechanisms
To minimize price volatility, Ecology must establish a price containment reserve. Certain allowances are to be placed in the price containment reserve, including 2% of 2023 - 2026 budgeted allowances, budgeted allowances that go unsold, and unused allowances of closed facilities. Ecology must set a trigger price for auctions, such that if auction prices are below the trigger

price, then there will be automatic withholding of a portion of allowances for sale in the auction. Such withheld allowances will be placed in the price containment reserve. Ecology also must establish an auction floor price, an auction ceiling price, and a schedule for these prices to increase by a predetermined amount each year. Companies will not be allowed to purchase allowances below the auction floor price. To prevent prices from exceeding auction ceiling prices, Ecology may auction allowances held in the price containment reserve. If the number of allowances in the price containment reserve approaches zero, then Ecology may issue price ceiling units as compliance instruments. Price ceiling units will be offered for sale only to entities that do not hold enough compliance instruments for the current compliance period. Price ceiling units cannot be sold or transferred and must be retired at the end of the compliance period.

Linkage With Other Jurisdictions' Cap and Trade Programs
To the extent possible, Ecology should link the auction and allowance trading system with other jurisdictions. If Washington links its program to other jurisdiction(s), then trigger prices should be set equal to the levels established in such other jurisdiction (s), including suspension of trigger prices as necessary.

Zero-Cost Allocations
Prior to December 2034, Ecology must allocate a portion of allowances at zero cost to businesses in EITE industries, based on their proportionate share of budgeted emissions. Ecology must provide rules to allow businesses in EITE industries to apply for additional zero-cost allowances based on facility-specific benchmarks. In addition, the bill provides for Ecology to allocate a portion of allowances at zero cost to electric utilities and natural gas companies.

New Accounts
The bill requires the transfer of auction proceeds to the state treasurer for deposit in designated accounts. A financial services administrator contracted by Ecology will conduct the auction and transfer the funds. Auction proceeds up to approximately $127 million in fiscal year 2023 will first go to the forward flexible account created in this bill. (Higher amounts are designated to the forward flexible account for later years.) Upon appropriation, revenues in the forward flexible account may be used only for transportation projects. After funding the forward flexible account, any additional auction proceeds raised in the auction will be deposited in the new climate investment account. Upon appropriation, money in the climate investment account may be used to cover the program's costs, to implement the working families tax rebate, for programs that mitigate GHG impacts in overburdened communities, for clean transportation programs, for natural climate resilience solutions, for clean energy transition and assistance programs, and/or for emission reduction projects.

EFFECTIVE DATE
The bill takes effect 90 days after final adjournment of the session in which it is enacted. Section 20, which requires entities to transfer compliance instruments annually to pay for emissions during the period, is contingent on the passage of a transportation funding act with at least $500 million per biennium of new revenues to the motor vehicle fund and multimodal transportation account. The $500 million of new funding must be attributable to revenues from this bill (the Washington climate commitment act).

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
- A transportation funding act meeting the conditions in 20 (7) is passed, so there is no delay to the bill's compliance obligations.
- Ecology will administer the program described in Sections 7-22, including the emission allowance auction and market.
- The emission allowances budgeted by Ecology for a compliance period may be purchased at auction and /or traded in secondary markets.
- Auction sales of emission allowances and sales on secondary markets will begin in January 2023.

- The market price of emission allowances are determined by market participants participating in auctions and otherwise buying and selling allowances from one another.

Background
- The Department currently administers the business and occupation (B&O) tax, which is a tax on the gross proceeds of sales and the gross income of a business.
- The B&O tax applies to most types of business receipts.
- The B&O tax rate for "services and other activities" is 1.5% or 1.75%, with the latter rate applying to entities with more than $1 million of taxable gross receipts in the services and other category.

Applicability of B&O Tax
- Since no specific B&O exemption is created for sales of emission allowances to other entities, it is assumed such sales will qualify as taxable events under the B&O tax and will be taxed at the services and other activities tax rate, as described in RCW 82.04.290.
- It is assumed that all entities selling emission allowances will meet the taxable receipts threshold to be required to pay the higher 1.75% services and other B&O tax rate.
- Given that there is currently no data to estimate the buying, selling, or trading of emission allowances in Washington, the revenue impact to the state general fund from any B&O taxes collected as a result of the sale of carbon credits is indeterminate.

B&O Tax Collections (Example)
- For example, if in FY 20XX:
    - The market price of emission allowances is $20 per allowance, with each allowance representing 1 MT of CO2-equivalent emissions;
    - The year begins with 20 million emission allowances available, including allowances budgeted by Ecology for auction i FY 20XX and unused allowances carried over from the previous year.
    - Of these, 15 million allowances are either utilized in FY 20XX by the original owner of the allowance or banked for future use;
    - The remaining 5 million allowances are sold to other entities on Washington's emission allowance market during FY 20XX;
- Then the B&O tax collected on such allowance sales in FY 20XX would be :
$20 x 5 million x 1.75% = $1.75 million.

The example above is provided to illustrate the calculation of the B&O tax on sales of emission allowances and is not intended as a revenue estimate.

TOTAL REVENUE IMPACT:
Indeterminate

II. C - Expenditures

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

ASSUMPTIONS:
- This legislation will affect 100 taxpayers.
- Expenditures assume that reporting of tradable credits, sold under the Clean Fuels Program, will begin January 2023.

FIRST YEAR COSTS:
The Department will incur total costs of $20,200 in Fiscal Year 2022. These costs include :

Labor Costs - Time and effort equates to 0.21 FTE.
- Create a Special Notice and identify publications and information that need to be created or updated on the Department's website.
- Respond to letter ruling requests, email inquiries, and more difficult call backs from the telephone information center.
- Adopt one new Excise Tax Advisory

SECOND YEAR COSTS:
The Department will incur total costs of $10,000 in Fiscal Year 2023. These costs include :

Labor Costs - Time and effort equates to 0.1 FTE.
- Process tax returns, payments and all associated work items,
- Assist taxpayers with reporting questions and respond to inquiries via email and web message and paper correspondence.

ONGOING COSTS:
There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.2	0.1	0.2		
A-Salaries and Wages	12,500	6,000	18,500		
B-Employee Benefits	4,600	2,100	6,700		
E-Goods and Other Services	1,900	1,200	3,100		
J-Capital Outlays	1,200	700	1,900		
Total $	$20,200	$10,000	$30,200		

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

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

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		
MGMT ANALYST4	70,956	0.0		0.0		
TAX INFO SPEC 4	64,332	0.1		0.1		
TAX POLICY SP 2	72,756	0.0		0.0		
TAX POLICY SP 3	82,344	0.1		0.0		
TAX POLICY SP 4	88,644	0.0		0.0		
WMS BAND 3	101,257	0.0		0.0		
Total FTEs		0.2	0.1	0.2		

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

Individual State Agency Fiscal Note

Bill Number: 5126 E 2S SB	Title: Climate commitment act	Agency: 215-Utilities and Transportation Commission

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.7	0.3	0.5	0.3	0.5
Account					
Public Service Revolving Account-State 111-1	99,317	37,533	136,850	75,066	136,850
Total $	99,317	37,533	136,850	75,066	136,850

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:	Nikkole Hughes	Phone: 360-786-7156	Date: 04/10/2021
Agency Preparation:	Amanda Hathaway	Phone: 360-664-1249	Date: 04/13/2021
Agency Approval:	Amanda Hathaway	Phone: 360-664-1249	Date: 04/13/2021
OFM Review:	Jenna Forty	Phone: (564) 999-1671	Date: 04/14/2021

Part II: Narrative Explanation

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

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

Section 2 defines electricity importer and imported electricity. UTC assumes clarification about how these statutory definitions will affect the implementation of the act will be addressed in the Ecology rulemakings.

Section 4 establishes requirements for an environmental justice assessment and reporting for state agencies allocating funds from the Climate Investment Account. Section 6 establishes tribal consultation requirements for those agencies. For the purposes of this fiscal note, the Utilities and Transportation Commission (UTC) assumes it is not an implementing agency under these sections and that there will be no fiscal impact from these sections.

Section 8 establishes the compliance periods of the program, beginning with 2023-2026, then 2027-2030, followed by annual program budgets for 2031-2040.

Section 9(2)(a) requires the Department of Ecology (Ecology) to consult with the UTC in the adoption of a methodology for addressing imported electricity from any linked jurisdiction by October 1, 2026. UTC assumes Ecology will adopt the methodology through a rulemaking. UTC assumes this consultation will occur between July 1, 2024, and September 30, 2026.

Section 13(2)(a) requires Ecology to consult with the UTC in the development of rules establishing the methods and procedures for allocation of allowances to electrical companies. The rules must be adopted by October 1, 2022. UTC assumes this consultation will occur between July 1, 2021, and September 30, 2022.

Section 13(2)(b) requires the UTC to approve each utility's forecast of electric supply and demand and the resulting cost burden for the 2023-2026 compliance period. UTC assumes this approval should be provided to Ecology by July 1, 2022, so that Ecology can include the results in its rules. UTC assumes it will provide rulemaking consultation to Ecology on the electric allocation schedule between July 1, 2021, and September 30, 2022.

Section 13(2)(c) requires the UTC to approve each utility's forecast of electric supply and demand and the resulting cost burden for the 2027-2030 compliance period. UTC assumes this approval should be provided to Ecology by July 1, 2026, so that Ecology can include the results in its rules. UTC assumes it will provide rulemaking consultation to Ecology on the electric allocation schedule between July 1, 2024, and September 30, 2026.

Section 13(2)(d) requires the UTC to approve each utility's forecast of electric supply and demand and the resulting cost burden for the compliance periods from 2031 through 2040. UTC assumes this approval should be provided to Ecology by July 1, 2028, so that Ecology can include the results in its rules. UTC assumes the fiscal impact will be considered in a later biennium.

Section 13(3)(b) requires Ecology to consult with the UTC on the amount of electric allowances that must be consigned to auction under Section 13(2)(c). UTC assumes it will provide consultation on this issue to Ecology in a rulemaking between July 1, 2024, and September 30, 2026.

Section 14(1)(a) requires Ecology to consult with the UTC in the development of rules establishing the methods and procedures to allocate allowances to natural gas companies. The rules must be adopted by October 1, 2022. The UTC assumes this consultation will occur between July 1, 2021, and September 30, 2022.

Section 14(1)(b) requires Ecology to consult with the UTC in the adoption of a natural gas allocation schedule by October 1, 2022, for the first two compliance periods. UTC assumes this consultation will occur between July 1, 2021, and September 30, 2022.

Section 14(1)(c) requires Ecology to consult with the UTC in the adoption of a natural gas allocation schedule by October 1, 2028, for the compliance periods from 2031 through 2040. UTC assumes the fiscal impact will be considered in a later biennium.

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 .

Rulemaking consultation with Department of Ecology

FY 2022 and 2023
Ecology must adopt rules by October 1, 2022, under Section 13 (2)(a) and (b) and Section 14. UTC must provide consultation on the rules. Ecology assumes the rulemakings will begin July 1, 2021, and be completed by September 30, 2022. UTC assumes it will provide consultation on the following issues throughout the rulemaking.

Section 13(2)(a) concerns rules establishing the methods and procedures for allocation of allowances to electrical companies.
Section 13(2)(b) concerns the adoption of the specific electric allocation schedule for the first compliance period.
Section 14(1)(a) concerns rules establishing the methods and procedures to allocate allowances to natural gas companies.
Section 14(1)(b) concerns the adoption of the specific natural gas allocation schedule for the first two compliance periods.

FY 2022
$56,299 (Asst Director Regulatory Services, 0.03 FTE; Policy Advisor, 0.09 FTE; Resource Planning Manager, 0.09 FTE; Regulatory Analyst 3, 0.15 FTE; Director Policy, 0.03 FTE)

FY 2023
$37,533 (Asst Director Regulatory Services, 0.02 FTE; Policy Advisor, 0.06 FTE; Resource Planning Manager, 0.06 FTE; Regulatory Analyst 3, 0.10 FTE; Director Policy, 0.02 FTE)

FY 2025, 2026, 2027
Ecology must adopt rules by October 1, 2026, under Section 9 (2), Section 13(2)(c) and Section 13(3)(b). UTC must provide consultation on the rules. Ecology assumes the rulemakings will begin July 1, 2024, and be completed by September 30, 2026. UTC assumes it will provide consultation on the following issues throughout the rulemaking.

Section 9(2) concerns the adoption of a methodology for addressing imported electricity from any linked jurisdiction.
Section 13(2)(c) concerns the adoption of an electric allocation schedule for the second compliance period.
Section 13(3)(b) concerns the amount of electric allowances that must be consigned to auction under Section 13 (2)(c).

FY 2025
$75,066 (Asst Director Regulatory Services, 0.04 FTE; Policy Advisor, 0.12 FTE; Resource Planning Manager, 0.12 FTE; Regulatory Analyst 3, 0.20 FTE; Director Policy, 0.04 FTE)

FY 2026

$56,299 (Asst Director Regulatory Services, 0.03 FTE; Policy Advisor, 0.09 FTE; Resource Planning Manager, 0.09 FTE; Regulatory Analyst 3, 0.15 FTE; Director Policy, 0.03 FTE)

FY 2027
$37,533 (Asst Director Regulatory Services, 0.02 FTE; Policy Advisor, 0.06 FTE; Resource Planning Manager, 0.06 FTE; Regulatory Analyst 3, 0.10 FTE; Director Policy, 0.02 FTE)

Approve forecast of supply and demand for three utilities

FY 2022
Section 13(2)(b) requires the UTC to approve each electric utility's forecast of supply and demand and the resulting cost burden for the 2023-2026 compliance period. UTC assumes this approval should be provided to Ecology by July 1, 2022, so that Ecology can include the results in its rules.

FY 2026
Section 13(2)(c) requires the UTC to approve each electric utility's forecast of supply and demand and the resulting cost burden for the 2027-2030 compliance period. UTC assumes this approval should be provided to Ecology by July 1, 2026, so that Ecology can include the results in its rules.

FY 2022, 2026
$43,017 (Administrative Law Judge, 0.02 FTE; Commissioner, 0.01 FTE; Asst Director Regulatory Services, 0.02 FTE; Resource Planning Manager, 0.02 FTE; Regulatory Analyst 3, 0.12 FTE; Attorney General, 0.02 FTE; Director Policy, 0.01 FTE; Director Regulatory Services, 0.01 FTE; Policy Advisor, 0.04 FTE)

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
111-1	Public Service Revolving Account	State	99,317	37,533	136,850	75,066	136,850
		Total $	99,317	37,533	136,850	75,066	136,850

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.7	0.3	0.5	0.3	0.5
A-Salaries and Wages	67,563	25,533	93,096	51,066	93,096
B-Employee Benefits	23,646	8,936	32,582	17,872	32,582
C-Professional Service Contracts					
E-Goods and Other Services	8,108	3,064	11,172	6,128	11,172
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	99,317	37,533	136,850	75,066	136,850

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

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Administrative Law Judge	111,996	0.0		0.0		0.0
Asst. Director, Regulatory Services	115,908	0.1	0.0	0.0	0.0	0.0
Attorney General	188,400	0.0		0.0		0.0
Commissioner	149,028	0.0		0.0		0.0
Director, Policy	114,744	0.0	0.0	0.0	0.0	0.0
Director, Regulatory Services	126,504	0.0		0.0		0.0
Policy Advisor	109,284	0.1	0.1	0.1	0.1	0.1
Regulatory Analyst 3	90,883	0.3	0.1	0.2	0.1	0.2
Resource Planning Manager	87,924	0.1	0.1	0.1	0.1	0.1
Total FTEs		0.7	0.3	0.5	0.3	0.5

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5126 E 2S SB	**Title:** Climate commitment act	**Agency:** 303-Department of Health

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:	Nikkole Hughes	Phone: 360-786-7156	Date: 04/10/2021
Agency Preparation:	Jayme Hills	Phone: 360-338-2900	Date: 04/13/2021
Agency Approval:	Carl Yanagida	Phone: 360-789-4832	Date: 04/13/2021
OFM Review:	Danielle Cruver	Phone: (360) 522-3022	Date: 04/15/2021

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.

This engrossed second substitute bill adds language to Section 1 (5) stating the legislature finds that wildfires have become one of the largest sources of black carbon in the last five years, and that restoring the health of our forest and investing in wildfire prevention and preparedness will contribute to improved air quality and improved public health outcomes. This change does not impact the department of health and therefore there is no fiscal change from the previous bill.

Section 3(a): Adds a new section stating the department of ecology must utilize the department of health's environmental health disparities map and complementary data to identify a high priority list of overburdened communities where the list emissions or concentrations of greenhouse gas emissions and criteria pollutants are occurring when conducting their environmental justice review. This bill does not direct the department of health to do any work, therefore no fiscal impact.

II. B - Cash receipts Impact

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

None

II. C - Expenditures

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

None

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail:

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

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

None

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5126 E 2S SB	Title: Climate commitment act	Agency: 360-University of Washington

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
Account					
General Fund-State 001-1	50,000	1,782,360	1,832,360	3,466,613	3,409,734
Total $	50,000	1,782,360	1,832,360	3,466,613	3,409,734

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:	Nikkole Hughes	Phone: 360-786-7156	Date: 04/10/2021
Agency Preparation:	Jessie Friedmann	Phone: 206-685-8868	Date: 04/15/2021
Agency Approval:	Jed Bradley	Phone: 2066164684	Date: 04/15/2021
OFM Review:	Breann Boggs	Phone: (360) 485-5716	Date: 04/19/2021

Part II: Narrative Explanation

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

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

This bill seeks to institutionalize and operationalize the greenhouse gas limits by expressly providing such authority under chapter 70A.15 RCW, the Clean Air Act, to enact emission standards, and create a cap on greenhouse gas emissions, as part of a comprehensive state climate, energy, and resilience program. Consistent with lead agency assumptions, there is no change in fiscal impact based on the amendments incorporated in E2SSB 5126.

We assume that the following sections would have a fiscal impact:

Section 7 - Sets a cap on greenhouse gas emissions
Section 8 - Discusses program budget & timelines
Section 11 - Discusses auction allowances
Section 23 - Creates the environmental justice assessment within the Climate Investment Account

II. B - Cash receipts Impact

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

II. C - Expenditures

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

Our current expenditure estimates are based on the following assumptions:

-- There would be no additional reporting burden under this bill as UW already reports greenhouse gas emissions to the Department of Ecology (DOE). If, however, the UW would need to conduct additional or more detailed reporting, the UW would need additional staff time to run a compliance program (likely 1 FTE environmental engineer, with salary and benefits of approx. $108,000 per year).
-- The UW would not be responsible for allocating funds from the climate investment account, and would thus not have expenses associated with conducting an environmental justice assessment. If the UW was responsible for allocating costs from this account, there would be indeterminate expenses associated with performing this assessment per lead agency assumptions.
-- If DOE chose to adopt rules regarding emission assumptions for electricity, there may be greater expenditures to cover the cost of additional allowances.
-- Emissions that would be subject to this bill are those associated with the UW's power plant and contiguous properties.
-- Offsets would not be used to cover any of the UW's compliance obligation.
-- The UW would not be considered a substantive contributor to cumulative pollution. However, if this assumption is incorrect, we estimate a cost between $10,000-$30,000 to hire a consultant to calculate emissions inventories, conduct air dispersion modeling, and write a health impact assessment each time that UW is determined to meet this classification."

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

used baseline emissions averages from the 2015-2019 time period. Under the assumption that emissions remain constant, and given the provided emission reduction pathways, calendar year allowance obligations will be:

2023: $1,732,360
2024: $1,736,025
2025: $1,730,588
2026: $1,717,102
2027: $1,692,632

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

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	50,000	1,782,360	1,832,360	3,466,613	3,409,734
		Total $	50,000	1,782,360	1,832,360	3,466,613	3,409,734

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts	50,000	50,000	100,000		
E-Goods and Other Services		1,732,360	1,732,360	3,466,613	3,409,734
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	50,000	1,782,360	1,832,360	3,466,613	3,409,734

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: 5126 E 2S SB	Title: Climate commitment act	Agency: 365-Washington State University

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

		FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.0	0.5	0.3	0.5	0.5
Account						
General Fund-State	001-1	0	1,717,614	1,717,614	3,800,148	4,351,919
	Total $	0	1,717,614	1,717,614	3,800,148	4,351,919

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

☒ 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:	Nikkole Hughes	Phone: 360-786-7156	Date: 04/10/2021
Agency Preparation:	Anne-Lise Brooks	Phone: 509-335-8815	Date: 04/15/2021
Agency Approval:	Chris Jones	Phone: 509-335-9682	Date: 04/15/2021
OFM Review:	Breann Boggs	Phone: (360) 485-5716	Date: 04/19/2021

Part II: Narrative Explanation

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

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

Bill 5126 E2S SB would do the following:
Sec. 7 creates a carbon pollution cap, allowances, and an auction for reducing greenhouse gas emissions that is capable of being integrated with emissions reduction programs in other jurisdictions.

Sec. 8 requires the program to commence January 1, 2023 and the state to review greenhouse emissions allowances on an annual basis.

Sec. 10 establishes compliance requirements for covered and opt-in entities.

Sec. 21 (3) imposes monetary penalties if compliance is not achieved, up to $10,000 per day per violation.

II. B - Cash receipts Impact

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

II. C - Expenditures

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

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

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

For purposes of the fiscal note, WSU is estimating based on a fiscal year basis, although in practice the allowance costs will change each calendar year.
WSU will require at least 0.5 FTE of a project engineer's time to maintain compliance with the program, including the purchasing of allowances. Annual salary is estimated at $108,000 and benefits at 34.6%.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	0	1,717,614	1,717,614	3,800,148	4,351,919
		Total $	0	1,717,614	1,717,614	3,800,148	4,351,919

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.5	0.3	0.5	0.5
A-Salaries and Wages		54,000	54,000	108,000	108,000
B-Employee Benefits		18,684	18,684	37,368	37,368
C-Professional Service Contracts					
E-Goods and Other Services		1,644,930	1,644,930	3,654,780	4,206,551
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	1,717,614	1,717,614	3,800,148	4,351,919

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

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Project Engeneer	108,000		0.5	0.3	0.5	0.5
Total FTEs			0.5	0.3	0.5	0.5

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5126 E 2S SB	Title: Climate commitment act	Agency: 405-Department of Transportation

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

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:

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

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

[ ] Capital budget impact, complete Part IV.

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

Legislative Contact:	Nikkole Hughes	Phone: 360-786-7156	Date: 04/10/2021
Agency Preparation:	karin Landsberg	Phone: 360-705-7491	Date: 04/13/2021
Agency Approval:	Eric Wolin	Phone: 360-705-7487	Date: 04/13/2021
OFM Review:	Jenna Forty	Phone: (564) 999-1671	Date: 04/14/2021

Part II: Narrative Explanation

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

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

See attached fiscal note

II. B - Cash receipts Impact

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

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.

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

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

The bill does not direct the department to adopt or revise rules. It is unknown at this time if WSDOT would need to engage in rulemaking to deliver the projects, programs, and activities resulting from future appropriation.

Individual State Agency Fiscal Note

Bill Number: 5126 E2SSB	**Title:** Climate Commitment 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

Agency Contacts:

Preparer: Karin Landsberg	Phone: 907-830-1714	Date: 4/12/2021
Approval: Eric Wolin	Phone: 360-705-7126	Date: 4/12/2021
Budget Manager: Doug Clouse	Phone: 360-705-7535	Date: 4/13/2021
Economic Analysis: Lizbeth Martin-Mahar	Phone: 360 705-7942	Date: 4/13/2021

Part II: Narrative Explanation

II. A - Brief description of what the measure does that has fiscal impact

Briefly describe <u>by section number</u> (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.***

Individual State Agency Fiscal Note

Changes from Previous Version

- No changes in the engrossed second substitute affect WSDOT's fiscal note.
- The second substitute removed the Climate Commitment Task Force, which was in the original version of the bill.

Section 3 – Environmental Justice Review – The Department of Ecology must use the Department of Health's *Environmental Health Disparities Map*, to identify overburdened communities. Agencies allocating funds or administering grants from the Climate Investment account must report annually to the Environmental Justice and Equity Advisory Panel, consider recommendations, and adopt a community engagement plan, which must include outreach methods for those who face barriers to participation.

Section 4 – Environmental Justice Assessment – When allocating funds from the Climate Investment account, agencies shall conduct an environmental justice assessment and establish a minimum of 35% of total investments that provide direct and meaningful benefits to vulnerable populations in overburdened communities.

Section 5 – Environmental Justice and Equity Advisory Panel – This panel provides oversight and recommendations on the program.

Section 6 – Tribal Consultation – Before allocating funding from the Climate Investment Account, agencies must engage in consultation with tribes.

Section 8 – Program Budget and Timelines – here budget refers to carbon budget, not financial budget.

Section 11 -- Auctions of Allowances – Outlines the steps for holding auctions for emission allowances. The engrossed second substitute bill also directs the State Treasurer to deposit specified amounts of the auction proceeds to the Forward Flexible Account for fiscal years 2023, 2024, and 2025, and $325 million each year for fiscal years 2026 through 2037; the remaining auction proceeds are distributed to the Climate Investment Account for fiscal years 2022 through 2037; and for fiscal year 2038 and each year thereafter, 50% of the proceeds must be deposited to the Forward Flexible Account and 50% to the Climate Investment Account. For the first 16 years, the total amount of the deposits into the Forward Flexible Account must not exceed $5.2 billion. The Forward Flexible Account is required to have funds spent on transportation projects, programs or activities identified as forward flexible projects, programs, or activities in an omnibus transportation appropriations Act.

Section 20 – Compliance Obligations – Requires covered entities to submit compliance obligations by November 1 of each year. This section does not take effect unless there is an "additive transportation funding act" in which the combined total of new state revenues deposited into the motor vehicle fund and multimodal accounts exceeds $500 million per biennium.

Section 24 – Climate Investment Account – After appropriation, moneys may be spent on a variety of programs, including:

- Agency costs (Ecology and other agencies) to administer and support the program.
- Programs and projects that reduce and mitigate greenhouse gases and co-pollutants in overburdened communities.
- Clean transportation programs, activities, or projects that reduce transportation related greenhouse gases.
- Natural climate resilience solutions that improve resilience of the state's waters, forests, and other ecosystems.
- Clean energy transition and assistance programs that assist affected workers or people with lower incomes including reductions in dependence on fossil fuels used for transportation, including public and shared transportation for access and mobility.
- Transportation, municipal service delivery, and technology investments that increase a community's capacity for clean manufacturing and the potential for commute reduction.
- Emission reduction projects and programs, including retrofitting vehicles and vessels for increased efficiency when electrification options are unavailable.

Individual State Agency Fiscal Note

II. B - Cash receipts Impact
If there are cash receipts components of the fiscal note, contact BFA-Economics to share your assumptions, and calculations. BFA-Economics will develop and supply cash receipts narrative to ensure consistent department messaging.

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.

Climate Investment Account (Section 24) – The Washington State Department of Transportation (WSDOT) has existing programs in areas that are eligible for funding by the Climate Investment Account, and it is assumed those types of projects and programs will be funded through WSDOT (transit, active transportation, electric vehicle infrastructure, trip reduction). Currently allocation of funds for transportation purposes is unknown and the department's role in implementing those transportation projects or programs is also unknown. It is assumed that costs to administer funding programs and implement projects would be covered by appropriations from the Climate Investment Account. The department could receive appropriations from this account beginning in fiscal year 2023. ***Fiscal impact is indeterminate.***

Environmental Justice Assessment (Section 4) – When allocating funds from the Climate Investment Account, agencies must conduct an environmental justice assessment and establish a minimum of 35% of total investments that provide direct and meaningful benefits to vulnerable populations in overburdened communities. Because the department is assumed to allocate funds from the Climate Investment Account, it would be required to conduct Environmental Justice assessments for these programs and projects. It is assumed that costs to administer funding programs and implement projects would be covered by appropriations from the Climate Investment Account, including the costs of required environmental justice assessments. Funding for these activities depends on the availability of the Climate Investment Account funds; per Ecology's lead agency assumptions this work could begin in fiscal year 2023. ***Fiscal impact is indeterminate.***

Tribal Consultation (Section 6) – Before allocating funding from the Climate Investment Account, agencies must engage in consultation with tribes. Because the department is assumed to allocate funds from the Climate Investment Account, would be required to consult with tribes before carrying out these activities. It is assumed that costs to administer funding programs and implement projects would be covered by appropriations from the Climate Investment Account, including tribal consultations. Funding for these activities depends on the availability of the Climate Investment account funds; per Ecology's lead agency assumptions this work could begin in fiscal year 2023. ***Fiscal impact is indeterminate.***

Forward Flexible Account (Section 11) – Eligible uses for these funds are to be defined in an omnibus transportation act. However, it is assumed that the department will receive appropriations from this account that may be directed to projects and programs such as transit, active transportation, electric vehicle infrastructure, trip reduction, and other uses. It is assumed that costs associated with implementing these projects and programs will be covered by the forward flexible appropriations. WSDOT could receive appropriations from this account beginning in fiscal year 2023. ***Fiscal impact is indeterminate.***

Individual State Agency Fiscal Note

Part III: Expenditure Detail

III. A - Expenditures by Object or Purpose

Part IV: Capital Budget Impact

N/A

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.

The bill does not direct the department to adopt or revise rules. It is unknown at this time if WSDOT would need to engage in rulemaking to deliver the projects, programs, and activities resulting from future appropriation.

Ten Year Analysis

Bill Number: E2SSB 5126	**Title:** Relating to the Washington climate commitment act	**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

☒ **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.											
Totals												

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.

Section 11 of the bill outlines the steps for holding auctions for emission allowances. This engrossed second substitute bill also directs the State Treasurer to deposit specified amounts of the auction proceeds to the Forward Flexible Account for fiscal years 2023, 2024, and 2025, and $325 million each year for fiscal years 2026 through 2037; the remaining auction proceeds are distributed to the Climate Investment (CI) Account for FYs 2022 through 2037; and for FY 2038 and each year thereafter, 50 percent of the proceeds must be deposited to the Forward Flexible Account and 50 percent to the CI Account. For the first 16 years, the total amount of the deposits into the Forward Flexible Account must not exceed $5.2 billion. The Forward Flexible Account is required to have funds spent on transportation projects, programs or activities identified as forward flexible projects, programs or activities in an omnibus transportation appropriations Act.

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 substitute bill directs the State Treasurer to deposit specified amounts of the auction proceeds to the Forward Flexible and Climate Investment Accounts. The exact amount of those transfers to the new accounts is outlined in the bill and will be reported on the State Treasurer's fiscal note. WSDOT's cash receipts impact is $0.

Individual State Agency Fiscal Note

Bill Number: 5126 E 2S SB	Title: Climate commitment act	Agency: 461-Department of Ecology

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Air Pollution Control Account-State 216-1					2,573,188
Climate Investment Account-State NEW-1		101,020,158	101,020,158	197,587,618	212,689,295
Forward Flexible Account-State NEW-1		127,341,000	127,341,000	723,255,000	718,234,000
Total $		228,361,158	228,361,158	920,842,618	933,496,483

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

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	52.5	52.5	52.5	48.9	44.9
Account					
Air Pollution Control Account-State 216-1	0	0	0	0	2,573,188
Model Toxics Control Operating Account-State 23P-1	9,331,203	7,552,532	16,883,735	0	0
Climate Investment Account-State NEW-1	0	6,407,677	6,407,677	21,258,802	16,735,099
Total $	9,331,203	13,960,209	23,291,412	21,258,802	19,308,287

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:	Nikkole Hughes	Phone: 360-786-7156	Date: 04/10/2021
Agency Preparation:	Pete Siefer	Phone: 360-407-6646	Date: 04/15/2021
Agency Approval:	Erik Fairchild	Phone: 360-407-7005	Date: 04/15/2021
OFM Review:	Lisa Borkowski	Phone: (360) 902-0573	Date: 04/15/2021

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.

Compared to 2SSB 5126, E2SSB 5126 has the following substantive changes related to the Department of Ecology (Ecology):

Section 8 (3) would require Ecology to conduct the first evaluation of program performance by December 31, 2027, instead of December 31, 2028 under the prior version, and adjust annual allowance budgets as needed to ensure achievement of future GHG emissions reduction targets. Ecology would be required to share the evaluation and supporting data, metrics, and processes publicly and include public consideration of proposed adjustments.

Section 10 (7) would require Ecology to display information about the contents of each holding account, including the number of allowances in each account, on our public website, and section 10 (10) would require Ecology to maintain a public roster of all covered entities, opt-in entities, and general market participants on the public website.

Section 12 (3) would require Ecology to establish methods to award additional no cost allowance allocations for EITEs, if appropriate based on projected production, to achieve a similar on-going result through the adjustment of the facility's mass-based baseline.

The bill changes would change the fiscal impact to Ecology.

Note on assumption change: Section 19 would establish grants to support analysis and development of offset projects on federally recognized tribal lands. Estimated expenditures for grants are updated in this fiscal note to begin in FY 2023 instead of FY 2022 to more accurately reflect the time needed to establish the new grant program and grant criteria. Total costs for grants in the 2021-23 biennium remain the same.

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

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

(Note that the Governor’s proposed 2021-2023 Biennial Operating Budget includes funding for this proposed legislation based on a previous bill version under CIP Climate Commitment Act.)

Section 2:
Section 2 establishes definitions. Biomass-based fuels would need to have demonstrated forty percent lower lifecycle GHG emissions compared to petroleum-based fuels in order to meet the definition of biomass fuels under the bill. For the purposes of estimating allowance budgets and auction revenue, this fiscal note assumes that all biogenic emissions reported under current GHG reporting rules are exempted from coverage, and that covered entities would be responsible for demonstrating the lower lifecycle emissions in order to benefit from the biomass-based fuels exemption provided under section 9 (7) (d).

Section 3:
Section 3 would require Ecology to use the Department of Health Environmental Health Disparities map and complementary data to identify a high priority list of overburdened communities where the highest concentrations of GHG emissions and criteria pollutants are occurring, identify sources of the emissions, and monitor GHG and criteria pollutant emissions in the overburdened communities. Ecology would review the status of GHG emissions and criteria

pollutants in these communities every two years, beginning in 2025. If emissions are not reduced in these communities, Ecology would be required to adopt more strict air quality standards and limits, reduce offset credit opportunities for sources, and/or revise linkage agreements to encourage reduced emissions. Ecology would be required to create and adopt a community engagement plan to provide communication, outreach, and engagement with overburdened communities in the development of the high priority list and polluters, and in the monitoring and review of emissions changes. The plan would include methods to reach those who face participation barriers, language or otherwise.

Section 4:
Agencies allocating funds from, or administering grants funded by, the Climate Investment Account, would be required to conduct an environmental justice assessment meeting criteria specified in this section, consider recommendations by the Environmental Justice and Equity Advisory Panel (Panel), prepare a community engagement plan to engage with overburdened communities and vulnerable populations in allocating funds or administering grants, and would be required to report annually to the Panel and Office of Equity on progress toward meeting environmental justice and environmental health goals.

Section 5:
This section would create the Panel, the members of which would be appointed by the Office of Equity. The Office of Equity would provide all administrative and staff support for the Panel. The Panel would provide recommendations to the Governor, Legislature, and implementing agencies in the development of the programs established in this bill. In consultation with the Office of Equity and the Environmental Justice Council (Council), the Governor could evaluate ways to effectively coordinate the work of the Panel with the work of the Council to ensure efficient operations and policy alignment across state environmental justice work, subject to enactment of SB 5141.

Section 6:
Agencies allocating funding or administering grant programs from the Climate Investment Account would be required to offer consultation with federally recognized tribes on all funding decisions and programs that affect federally recognized tribes' rights and interests in their tribal lands, independently of any public participation process required by state law, and regardless of whether a tribe requests consultation.

Section 7:
Section 7 would establish requirements for Ecology to implement a cap on GHG emissions and use a carbon allowance trading market to incentivize GHG emissions reductions to meet statewide GHG reduction targets established in statute. Section 7 specifies criteria and requirements for the program.

Section 8:
This bill would establish a cap and invest program that would phase in regulatory requirements for different classes of GHG reporters. Section 8 sets the timing for the regulatory requirements; the first compliance period would start January 1, 2023, and end December 31, 2026, and the second compliance period would start January 1, 2027.

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

The annual program budgets for entities covered during the second compliance period, set to begin January 1, 2027 and end December 31, 2030, would be adopted by October 1, 2026.

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

Ecology assumes that progress toward achieving the 2040 GHG emissions reduction targets would be monitored in the years approaching 2040, and that the rulemaking authority provided in section 23 would authorize a rule at a later date to adjust allowance budgets if needed to achieve the statutory target.

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

Section 8 would also require Ecology to conduct evaluations of program performance in reducing GHG emissions by December 31, 2027, and December 31, 2035, and adjust annual allowance budgets as needed to ensure achievement of future GHG emissions reduction targets. Ecology would be required to share the evaluation and supporting data, metrics, and processes publicly and include public consideration of proposed adjustments.

Section 9:
Section 9 would designate the criteria for program coverage and criteria for participation. This section would direct Ecology to evaluate the net cumulative GHG emissions for a new or expanded facility that require review under the State Environmental Policy Act (SEPA) and would result in annual GHG emissions in excess of 25,000 metric tons per year. Ecology may adopt rules to determine how to evaluate net cumulative emissions reductions. The evaluation would need to consider net displacement of global emissions resulting from the project.

Section 10:
Section 10 would require Ecology to establish registration procedures by rule and requires the use of a secure, online electronic tracking system.

Section 10 (7) would require Ecology to display information about the contents of each holding account, including the number of allowances in each account, on our public website, and section 10 (10) would require Ecology to maintain a public roster of all covered entities, opt-in entities, and general market participants on the public website.

Section 11:
Ecology would hold a maximum of four auctions for allowances annually. Ecology would adopt by rule: floor prices; ceiling prices; allowance holding limits; and timing to offer allowance price containment reserve auctions. Ecology would also adopt by rule provisions to guard against bidder collusion and minimize the potential for market manipulation. Ecology would engage a qualified, independent contractor to run the auctions and a qualified financial services administrator to hold and evaluate bid guarantees and inform Ecology of bid guarantee values once bids are accepted. Ecology would design auctions to allow linkage with GHG trading programs in other jurisdictions where possible and may conduct auctions jointly with linked jurisdictions, using the same financial services administrator, market monitor, and auction administrator.

Once auction results were verified and approved by Ecology, and successful bidders notified by Ecology, auction proceeds would be collected by the financial services administrator and transferred to the State Treasurer for deposit into the Forward Flexible Account (FFA) created under this section or Climate Investment Account (CIA) created in section 24; specific amounts for deposits are specified in section 11.

Section 12:
Section 12 (2) would require Ecology to adopt a rule by July 1, 2022 establishing objective numerical criteria for both emissions intensity and trade exposure for the purpose of identifying emissions-intensive trade-exposed manufacturing businesses during the second and subsequent compliance periods.

Section 12 (3) would direct Ecology to allow EITEs to apply and receive an adjustment to their allocation of allowances based on a facility-specific carbon intensity (CI) benchmark, and would require Ecology to establish methods to award additional no cost allowance allocations for EITEs, if appropriate based on projected production, to achieve a similar on-going result through the adjustment of the facility's mass-based baseline. This would be adopted in rule according to the timeline and requirements specified in this subsection.

Section 12 (4) would require Ecology by December 1, 2030, to provide a report to the legislature describing alternative methods and best practices for allocating allowances to EITE, ensuring against emissions leakage. The report would require input from an advisory group including representatives of industry classified as EITE under section 12 (1).

Section 13:
Section 13 would require Ecology, in consultation with the Department of Commerce (Commerce) and the Utilities and Transportation Commission (UTC), to establish in rule by October 1, 2022, allocations of free allowances for electricity providers in order to mitigate potential impacts on electricity rates; by October 1, 2026, Ecology would consult with Commerce and the UTC to adopt rules for allocating allowances to be provided at no cost during the second compliance period for electricity providers.

By October 1, 2028 Ecology would adopt an allocation schedule by rule in consultation with Commerce and the UTC for provision of no-cost allowances to electricity utilities and providers for calendar years 2031 through 2040. Based on an assumption of a 15 month rule, rulemaking would begin July 1, 2027, which would be outside the scope of the fiscal note. Ecology, Commerce, and the UTC would need to prepare a decision package for any costs not covered in carry-forward authority.

Section 14:
Section 14 (1) would require Ecology, in consultation with the UTC, to establish in rule by October 1, 2022, allocations of free allowances to be distributed to natural gas utilities during the first two compliance periods for the benefit of rate payers. This fiscal note assumes concurrent rulemaking with the rule for section 13 to ensure that allocations are set for the compliance period for natural gas utilities as needed.

By October 1, 2028 Ecology would adopt an allocation schedule by rule in consultation with the UTC for provision of no-cost allowances to natural gas utilities for calendar years 2031 through 2040. Based on an assumption of a 15 month rule, rulemaking would begin July 1, 2027, which would be outside the scope of the fiscal note. Ecology and the UTC would need to prepare a decision package for any costs not covered in carry-forward authority.

In order to qualify for the no-cost allowances, natural gas utilities would be required to provide GHG reporting data specified in section 15 (3) to Ecology on or before March 1, 2022, and would be required to continue providing data for each reporting year per section 15 (4).

Section 15:
Section 15 would require Ecology to set an emissions containment reserve price by rule to ensure that the price of allowances remain sufficient to incentivize reductions of GHG emissions. Ecology would withhold allowances from auction when the price falls below the emissions containment reserve price, in order to allow the price to stabilize and ensure achievement of GHG reductions.

Section 16:
Section 16 would require Ecology to adopt by rule floor prices, allowance holding limits, ceiling prices, and timing to offer allowance price containment reserve auctions. During calendar years 2023 through 2026, Ecology would place a minimum of four percent of available allowances in an allowance price containment reserve to assist in containing compliance costs for covered and opt-in entities in the event of unanticipated high costs. Ecology would adopt rules for dedicated allowance price containment reserve auctions when settlement prices in the preceding auction approach adopted auction ceiling prices; Ecology would also set reserve auction floor prices, establish the requirements and schedule for the allowance price containment reserve auctions, and establish the amount of allowances to be placed in the allowance price containment reserve after calendar year 2026.

Section 17:
Section 17 would require sale of price ceiling units as an alternative to price containment reserve auctions, in the event that price containment reserve allowances were not available and allowance prices were to reach the ceiling limits designated in rule. This section would require funds raised in connection with the sale of price ceiling units to be expended to achieve emissions reductions on at least a metric ton for metric ton basis that are real, permanent, quantifiable, verifiable, enforceable by the state, and in addition to any greenhouse gas emission reduction otherwise

required by law or regulation and any other greenhouse gas emission reduction that otherwise would occur.

Section 18:
Section 18 would require Ecology to establish protocols by rule for offset projects and credits that may be used to meet a portion of a covered or opt-in entity's compliance obligation under section 20 in alignment with RCW 70A.45.090 and 70A.45.100, that includes offset project requirements, specifies maximums for offset credit use, and details the use and counting of offset projects on federally recognized tribal lands.

Section 19:
Section 19 would require Ecology to establish an assistance program for offset projects on federally recognized tribal lands in Washington. The assistance could include, but would not be limited to, funding or consultation for federally recognized tribal governments to assess proposed offset projects' technical feasibility, investment requirements, development and operational costs, expected returns, administrative and legal challenges, and project risks and pitfalls. Funding or assistance may be provided upon request by a federally recognized tribe. Section 19 (2) specifies legislative intent that not less than five million dollars be provided in the biennial operating budget for the purposes of this section.

Section 20:
Section 20 would establish four-year compliance cycles, and would delay compliance obligations under the act unless a separate additive transportation funding act were to become law, and the Department of Licensing were to provide a written notice to the Chief Clerk of House of Representatives, the Secretary of the Senate, and the Code Reviser.

Section 21:
Section 21 specifies enforcement requirements and penalties. Penalties of four allowances would be applied for each missing allowance. Ecology would be authorized to issue monetary civil penalties described in this section for failure to comply with any provision of this chapter or the rules adopted under this chapter. Monetary penalties would be deposited in the Climate Investment Account.

Section 21 would preempt local jurisdictions from implementing a charge or tax based exclusively on quantities of GHG emissions, and would preclude any state agency from adopting or enforcing a program that regulates GHG emissions for a stationary source except as provided under this act.

Section 22:
Section 22 would encourage Ecology to seek linkage agreements with other jurisdictions. Ecology would be required to conduct a public comment process to obtain input and a review of the linkage agreement by relevant stakeholders and other interested parties. Input from the public comment process would be considered before finalizing a linkage agreement.

Section 23:
This section would authorize Ecology to adopt rules to implement the provisions of this chapter. This section would also authorize emergency rules for initial implementation of the program.

Section 24:
This section would establish the Climate Investment Account, an appropriated account to which all receipts from auctions, except for those described in section 11 (7) would be deposited. The section describes the allowable uses of the funds in the account, which include: (a) Ecology's and other agencies' costs to support and administer the program, (b) the working families tax rebate; (c) programs that reduce and mitigate GHG impacts in overburdened communities; (d) clean transportation programs; (e) natural climate resilience solutions as specified in section 24 (2)(e)(i)-(x); (f) clean energy transition and assistance programs; and (g) emissions reductions programs.

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

program.

Section 28:
Section 28 would suspend the provisions of the act on December 31, 2055, if Ecology were to determine by December 1, 2055 that the 2050 emissions limits of RCW 70A.45.020 have been met for two or more consecutive years. Ecology would be required to provide written notice of the suspension date to affected parties, the Chief Clerk of the House of Representatives, the Secretary of the Senate, the Office of the Code Reviser, and others as deemed necessary. In this event, Ecology would submit a decision package for the sunset of the provisions of the act.

II. B - Cash receipts Impact

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

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

Note regarding the Clean Energy Transformation Act: Revenue estimates do not account for changes in GHG emissions related to the Clean Energy Transformation Act, which could have an indeterminate impact on auction revenue approaching and following calendar year 2030.

Note regarding Transportation Funding Act Contingency: Section 20 would delay compliance obligations under the act unless a separate additive transportation funding act were to become law, as defined in section 20 (7). The fiscal note assumes that these conditions would be met; in the event that these conditions were not met, Ecology would suspend compliance obligations for covered entities. This could reduce costs and auction revenue during the suspension of compliance requirements.

Cash Receipts from Purchases of GHG Emissions Allowances:

Under section 11, auction proceeds would be collected by the financial services administrator and transferred to the State Treasurer for deposit as follows:
Auction revenue up to the amounts specified below would be deposited in the Forward Flexible Account (FFA) each fiscal year, distributed equally among the number of auctions held, not to exceed $5,200,000,000 over sixteen years, and the remaining proceeds would be deposited into the Climate Investment Account (CIA) created in section 23.

a) FY 2023: first $127,341,000 to the FFA, with the remaining auction revenue to the CIA ;
b) FY 2024: first $356,697,000 to the FFA, with the remaining auction revenue to the CIA ;
c) FY 2025: first $366,558,000 to the FFA, with the remaining auction revenue to the CIA ;
d) FY 2026 through FY 2037: first $359,117,000 to the FFA, with the remaining auction revenue to the CIA ;

For fiscal year 2038 and each fiscal year thereafter, fifty percent of auction proceeds would be deposited in the Forward Flexible Account, and the remaining auction proceeds would be deposited in the Climate Investment Account. Auction revenue estimates were calculated based on program requirements as established in the bill, and the following assumptions.

Ecology would be required to set annual GHG allowance budgets, which would be designed to reduce emissions over time in order to meet statewide emission limits established in RCW 70A.45.020. The initial annual allowance budgets for the first compliance period, calendar years 2023 to 2026, would have to be adopted through rulemaking by October 1, 2022. For purposes of revenue assumptions, allowance budgets for the first and second compliance period beginning January 1, 2027 are based on currently available GHG reporting data and the statewide GHG inventory published in accordance with RCW 70A.45.020.

Section 9 would designate the criteria for program coverage and criteria for participation for groups of covered entities that would enter the program during the first and second compliance periods. The first compliance period would begin

January 1, 2023, and the second compliance period would begin January 1, 2027. Per section 9, landfills would not enter program coverage until 2031.

The average annual eligible emissions from 2015 to 2019 (excluding biogenic emissions, which would be exempted as biomass under section 9) were calculated for all entities meeting the thresholds and criteria for each compliance period, as described in Section 9. The total baseline annual emissions for covered entities in the first compliance period was calculated to be 56.5 MMT CO2e, which is 58% of total statewide emissions.

Statewide emissions would be limited to achieve the reductions specified in RCW 70A.45.020, which are as follows: 45% below 1990 levels by 2030, 70% below 1990 levels by 2040, and 95% below 1990 levels by 2050.

1990 statewide emissions were 90.5 MMT CO2e
The 2035 statewide emissions target is 49.8 MMT CO2e
The 2022 statewide emissions estimate (based on a four-year average of annual emissions for 2015 through 2018 in the Statewide GHG Inventory Report, published January 2021) is projected to be 97.9 MMT CO2e
The goal for emissions reduction from 2023 to 2030 is 49.8 - 97.9 = -48.1 MMT CO2e
The emissions reduction goal for covered entities, based on their 58% share of statewide emissions is calculated to be -36.4 MMT CO2e over the eight-year compliance period through 2030.

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

The initial allowance budget for January 1 to December 31, 2023, would equal a calculated reduction of 6.1% from the baseline annual emissions for each of the covered entities during this compliance period. This would result in a total allowance budget of 52.9 MMT CO2e. The budget would continue to decrease from the baseline by an additional 6.1% of baseline emissions each successive year.

During the second compliance period, starting on January 1, 2027, the reduction curve for entities continuing from the first compliance period would be remain at 6.1% of initial baseline emissions. For new CO2e emissions that would be added to the program for the second compliance period, the reduction pathway would be 12.3% of baseline emissions each year. The baseline calculated emissions for entities incurring a compliance obligation in the second compliance period is 20.4 MMT CO2e, and the CY 2027 allowance budget would be reduced by 12.3%, adding 17.8 MMT CO2e to the CY 2027 allowance budget.

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

Per section 11, Ecology would hold a maximum of four auctions for allowances annually. Ecology assumes the auctions for the first period would be conducted January, April, July, and October 2023. The schedule is assumed to remain the same for future compliance periods. Each covered entity would need to purchase an allowance for each ton of carbon dioxide it emits, and Ecology assumes that 100% of all available allowances subject to auction would be sold at each auction.

Section 12 would provide for an allocation of free allowances to be available for Energy Intensive Trade Exposed (EITE) entities, which would be 100% of each entity's allowance budget in the calendar years 2023 through 2034. The allocations would decline starting in 2035. This fiscal note assumes that the decline would be one percentage point a year. Therefore, in 2035, EITE entities would receive 99% of their allowance budgets as no-cost allowances .

Section 12 (3) would provide for a carbon intensity (CI) benchmarking pathway for EITE allowance allocations; because the allocations would be based on the benchmarks, which would be calculated based on consultation with industries and rulemaking, impacts to allowance budgets and no-cost allocations from CI calculations would be indeterminate and are not considered in this revenue estimate. The CI benchmarks would be a different metric from the allowances used in this revenue model. For this reason, the 3% reduction pathways proposed for CI benchmarks in Section 12 (3) are not applied this revenue estimate. The application of CI benchmarks would have an indeterminate impact on allowance budgets, allocations of no-cost allowances, and auction revenue.

Rulemaking would determine the criteria for EITE designation in calendar year 2027 and beyond. This fiscal note assumes no change in EITE status from the designations established in 12 (1).

Section 12 (1) (j) would include petroleum refining facilities with North American industry classification system (NAICS) codes “324110” as EITE entities.

Section 13 would provide for an allocation of no-cost allowances to be distributed directly to electricity generators in order to mitigate potential impacts on electricity rates. This fiscal note assumes that all electricity utilities and providers supplying electricity to Washington State rate payers would receive no-cost allowances equivalent to their allowance budgets for each year of program coverage. Both consumer-owned and investor-owned electricity utilities and providers would have the option to consign all no-cost allowances to auction for the benefit of rate payers during the first compliance period, and Ecology would adopt rules specifying consignment requirements for the second and subsequent compliance periods. This fiscal note assumes that all no-cost allowances for electricity would be used to meet compliance obligations for all compliance periods.

Section 14 would require Ecology to adopt rules for allocating no-cost allowances to natural gas utilities for the benefit of Washington State rate payers. This fiscal note assumes that all natural gas utilities supplying natural gas to Washington rate payers would receive free allowances equivalent to their allowance budgets for each year of program coverage. Section 14 (2) would require natural gas utilities to consign a specified percentage of the no-cost allowances to auction each calendar year for the benefit of rate payers, prioritizing low-income customers.

Section 15 would authorize establishment of an emissions containment reserve, allowing available allowances to be placed in reserve to meet emissions limits per RCW 70A.45.020, and would require 2% of allowances to be placed in the reserve in CYs 2023 through 2026. The fiscal note assumes that allowances would continue to be withheld to the reserve at the same rate in future compliance periods.

Section 16 would require Ecology to set a minimum of 2% of the total number of allowances available aside for a price containment reserve during the years 2023 through 2026. The department would establish by rule the amount to be placed in the reserve beginning in the 2026 compliance period. This fiscal note assumes that allowances would continue to be withheld to the reserve at the same rate in future compliance periods.

For purchases from the price containment reserve, we looked at reserve price auction activity in other jurisdictions. California holds vintage allowances for several years. To provide a conservative estimate, this estimate assumes that 30% of the prior year’s reserve will be sold at the prior year floor price each year, leaving unsold allowances in the reserve to carry forward.

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

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

Section 18 (3) (a), (b), and (e) would provide for regulated entities to meet up to 5% of compliance obligations with offset credits in the first compliance period, and up to 4% of compliance obligations in the second compliance period, and ongoing, for offset projects; entities can apply offset projects on federally recognized tribal land to meet an additional 3% of compliance obligations in the first compliance period and 2% of obligations in the second compliance period. Revenue estimates assume maximum usage of offset credits - offset credits are removed from the net priced allowances.

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

Total proceeds from auctions for each calendar year, starting with calendar year 2023, were estimated for each corresponding fiscal year, based on an assumption of all required allowances being purchased equally across each of the four annual auctions.

The fiscal year-based auction revenue is estimated in the Forward Flexible Account and the Climate Investment Account based on the allocations specified in Section 11.

Estimates of revenue from consigned no-cost allowances, sections 13 and 14
The attached revenue tables provide estimates of revenue from allowances consigned to auction for the benefit of rate payers from electricity and natural gas utilities. This revenue would not be transferred to the Treasurer or deposited in a state account but consigned to the utilities to benefit their rate payers. Revenue estimates are based on an assumption that when consignment is not required, covered entities would use all no-cost allowances to meet compliance obligations.

Penalty Revenue Assumptions:

Section 21 specifies enforcement requirements and penalties. For the purposes of this fiscal note, enforcement actions and penalties are assumed to be limited, but unknown, and therefore are not estimated in this fiscal note.

Greenhouse Gas Reporting Fee Revenue:

Section 25 would modify GHG reporting requirements, which would influence GHG reporting workload costs and the number of reporting facilities. Ecology assumes that fee modifications related to the changes in section 25 would be set during rulemaking for this section and would incorporate workload changes related to the modification of GHG reporting requirements. The fee changes would take effect in FY 2026.

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

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

II. C - Expenditures

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

SEE ATTACHED PART II.C – Expenditures

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
216-1	Air Pollution Control Account	State	0	0	0	0	2,573,188
23P-1	Model Toxics Control Operating Account	State	9,331,203	7,552,532	16,883,735	0	0
NEW-1	Climate Investment Account	State	0	6,407,677	6,407,677	21,258,802	16,735,099
		Total $	9,331,203	13,960,209	23,291,412	21,258,802	19,308,287

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	52.5	52.5	52.5	48.9	44.9
A-Salaries and Wages	4,078,323	3,954,720	8,033,043	7,359,096	6,664,710
B-Employee Benefits	1,496,747	1,451,389	2,948,136	2,700,793	2,445,956
C-Professional Service Contracts	1,688,344	1,347,295	3,035,639	2,344,572	1,769,710
E-Goods and Other Services	385,839	421,007	806,846	810,527	667,600
G-Travel	99,568	99,661	199,229	185,375	170,272
J-Capital Outlays	54,808	204,851	259,659	102,026	93,710
N-Grants, Benefits & Client Services		5,000,000	5,000,000	5,000,000	5,000,000
9-Agency Administrative Overhead	1,527,574	1,481,286	3,008,860	2,756,413	2,496,329
Total $	9,331,203	13,960,209	23,291,412	21,258,802	19,308,287

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	1.9	1.5	1.7	0.9	1.0
COM OUTREACH & ENV ED SP 4	70,956	2.0	2.0	2.0	2.1	2.0
COMMUN CONSULTANT 5	84,396	0.5	0.5	0.5	0.5	
ECONOMIC ANALYST 3	82,344		1.2	0.6	0.4	0.4
ENVIRONMENTAL ENGINEER 3	95,484	2.5	2.7	2.6	2.4	2.5
ENVIRONMENTAL ENGINEER 5	105,384	3.5	2.8	3.1	2.4	3.0
ENVIRONMENTAL PLANNER 3	78,408	3.9	2.5	3.2	1.5	1.7
ENVIRONMENTAL PLANNER 4	86,484	1.0	1.0	1.0	2.4	1.0
ENVIRONMENTAL PLANNER 5	95,484	7.8	4.6	6.2	5.3	4.5
ENVIRONMENTAL SPEC 4	70,956	1.3	9.4	5.3	8.3	8.3
ENVIRONMENTAL SPEC 5	78,408	7.3	4.6	6.0	5.5	6.5
FISCAL ANALYST 2		4.6	4.6	4.6	4.3	3.9
FISCAL ANALYST 3	62,748	0.5	0.1	0.3	0.1	0.1
FISCAL ANALYST 5	78,408	0.5		0.3		
IT APP DEVELOP-JOURNEY	96,888	3.7	3.2	3.5	2.8	2.5
IT APP DEVELOP-MANAGER	123,636	0.1	0.1	0.1		
IT APP DEVELOP-SR/SPEC	112,176	3.0	2.8	2.9	2.5	1.0
IT APP DEV-JOURNEY-Admin		2.3	2.3	2.3	2.1	2.0
IT BUSINESS ANALYST-ENTRY	83,892	0.5		0.3		
IT DATA MGMT-JOURNEY	101,748		0.6	0.3	0.3	0.3
IT PROJECT MGMT-SR/SPEC	112,176	1.0	0.5	0.8		
MANAGEMENT ANALYST 5	88,644	3.0	3.0	3.0	3.0	2.0
NATURAL RES SCIENTIST 4	88,644		0.3	0.1	0.1	0.1
REGULATORY ANALYST 2	80,292		0.4	0.2	0.2	0.2
WMS BAND 2	95,000	1.0	1.0	1.0	1.0	1.0
WMS BAND 3	112,000	0.8	1.0	0.9	1.0	1.0
Total FTEs		52.5	52.5	52.5	48.9	44.9

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

Section 24 would establish the Climate Investment Account. The Climate Investment Account would have allowable uses for agency programs, activities, and projects to include: reducing and mitigating GHG impacts in overburdened communities, clean transportation programs, natural climate resilience solutions as specified in section 24 (2)(e)(i)-(x), clean energy transition and assistance programs, and emissions reductions programs. Funding under the current legislation is estimated to be available beginning in FY 2023.

Ecology assumes that some of the investment areas under section 24 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 administer capital projects related to the activities under this section.

Part V: New Rule Making Required

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

Ecology would need to establish new rules in the WAC to establish the program requirements for the cap and invest program, EITE criteria and allocations, and allocations of no-cost allowances for electricity and natural gas utilities as specified in sections 8, 10, 11, 12, 13, 14, 15, and 20.

Ecology would need to establish a new rule for the new grant program created in section 19.

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

PART II.C – Expenditures

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

The expenditure impact to Ecology under this bill is estimated to be greater than $50,000 in Fiscal Year (FY) 2022 and ongoing to implement the requirements of sections 3, 8, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 22, 23, 25, and 26.

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

Section 3 – Environmental Justice Review
Section 3 would require Ecology to identify a high priority list of overburdened communities where the highest concentrations of GHG emissions and criteria pollutants are occurring, identify sources of the emissions, and monitor GHG and criteria pollutant emissions in the overburdened communities. Ecology would review the status of GHG emissions and criteria pollutants in these communities every two years, beginning in 2025. For purposes of this fiscal note, we are assuming that all priority communities would experience a decrease in emissions. In the event that emissions were not reduced, Ecology may need to submit legislative proposals and implement rule changes and corresponding updates to the State Implementation Plan of the Federal Clean Air Act with the Environmental Protection Agency, and coordinate with Local Air Authorities on changes needed in their areas of jurisdiction. The level of changes needed and future costs associated with this are currently indeterminate.

Section 4 – Environmental Justice Assessments
Section 4 would require agencies allocating funds from the Climate Investment Account, for purposes described in section 24, to conduct an environmental justice assessment, consider recommendations by the Panel, prepare a community engagement plan to engage with overburdened communities and vulnerable populations in allocating funds or administering grants, and report annually to the Panel and Office of Equity on progress. Funding under the current legislation is estimated to be available beginning in FY 2023. Ecology assumes that some of the investment areas under section 24 would be administered by Ecology. However, the bill does not specify which agency would implement these programs. In addition, further guidance would need to be developed by the Council and the Panel to implement the requirements of this section. Therefore, Ecology would have an indeterminate fiscal impact to implement section 4.

Section 6 – Tribal Consultation
Section 6 would require agencies to offer consultation with federally recognized tribes on all funding decisions from the Climate Investment Account, for purposes described in section 24, that affect federally recognized tribes' rights and interests in their tribal lands, independent of any public participation process required by state law and regardless of whether a tribe requests consultation. Funding under the current legislation is estimated to be available beginning in FY 2023. Ecology assumes that some of the investment areas under section 24 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 implement section 6.

PART II.C – Expenditures Narrative

Section 9 – GHG Lifecycle Analyses for Qualifying SEPA Projects
Section 9 would direct Ecology to evaluate the net cumulative GHG emissions for a new or modified facility that would require review under the State Environmental Policy Act (SEPA) and would result in annual GHG emissions in excess of 25,000 metric tons per year. Ecology would be authorized to adopt rules to determine how to evaluate net cumulative emissions reductions. The evaluation would need to consider net displacement of global emissions resulting from the project.

Rulemaking costs are estimated in the fiscal note. As described below, ongoing costs to implement lifecycle GHG emissions analyses for qualifying projects would be indeterminate.

Based on GHG emissions of new and modified projects over the past several years, Ecology estimates between one and three GHG lifecycle analyses each year for qualifying projects. The actual needs of each analysis could be variable, based on the specific nature of each project being reviewed. Because of the variability in quantity and depth of analyses, these costs are considered indeterminate for purposes of this fiscal note. A minimum cost estimate is provided below.

For a one-year analysis, an Environmental Planner 5 (1.0 FTE) would coordinate with a professional consultant and the project proponent to gather information for the analysis. An Environmental Specialist 5 (1.0 FTE) would collect data and perform analysis of GHG emissions to support the lifecycle analysis. Total estimated staff costs, including standard costs, would be $317,898.

Based on previous state contracts for greenhouse gas emissions analysis, Ecology estimates a $250,000 contract to provide the expertise and modeling capability for each analysis. Minimum estimated costs for each evaluation would be $567,898.

Sections 10 and 11 – Auction Revenue management
The cost estimates for auction implementation include a contract with a financial services administrator (FSA), and Ecology assumes that the FSA would transmit auction revenue to the Treasurer via a wire transfer. In the event that Ecology were to be responsible for collection and/or transmittal of auction receipt, we would have costs related to accounts receivable management. Because these costs would depend on information that would become available during program implementation and rulemaking, they are indeterminate for the purposes of this fiscal note.

Section 20 – Transportation Funding Act Contingency
Section 20 would delay compliance obligations under the act unless a separate additive transportation funding act were to become law, as defined in section 20(7). The fiscal note assumes that these conditions would be met; in the event that these conditions were not met, Ecology would suspend compliance obligations for covered entities. This could reduce costs and auction revenue during the suspension of compliance requirements.

Section 21 – Limitation of other State GHG Regulations
Section 21 would preclude any state agency from adopting or enforcing a program that regulates GHG emissions for a stationary source except as provided under this act.

PART II.C – Expenditures Narrative

Under current law, RCW 70A.15.2200, Ecology manages the greenhouse gas (GHG) reporting program, which requires specified large producers of GHG emissions to report annual emissions. This act modifies GHG reporting rules. Ecology assumes that the GHG reporting program would continue to be active, as well as the limits established in RCW 70A.45.020, which are referenced in the act.

The following potential preclusions are indeterminate for the purposes of this fiscal note, pending further legal analysis. In the event that the provisions of section 21 were to limit the following regulatory activities, Ecology would submit a decision package for the fiscal impacts of this change.

In 2016, Ecology adopted emission standards (Chapter 173-442 WAC – Clean Air Rule) to cap and reduce greenhouse gas (GHG) emissions from significant in-state stationary sources, petroleum product producers, importers, and distributors and natural gas distributors operating within Washington.

Ecology issues a Prevention of Significant Deterioration (PSD) permit for industrial sources of air pollution. Some projects are regulated by Energy Facility Site Evaluation Council (EFSEC), EPA, or tribes. PSD permits may require use of best available technologies to reduce GHG emissions.

Under Governor's Directive 19-18, Ecology is currently conducting rulemaking to guide GHG evaluations for SEPA projects meeting a minimum GHG emissions threshold. Section 26 has some similar requirements to Directive 19-18, but thresholds and other specific criteria vary.

Section 24 –Climate Investment Account Projects
Ecology assumes that OFM would be the administering agency for the Climate Investment Account, because it would likely be appropriated to multiple agencies to fulfill the allocations and outcomes described in section 24.

The Climate Investment Account would have allowable uses for agency programs, activities, and projects to include: reducing and mitigating GHG impacts in overburdened communities, clean transportation programs, natural climate resilience solutions as specified in section 24(2)(e)(i)-(x), clean energy transition and assistance programs, and emissions reductions programs. Funding under the current legislation is estimated to be available beginning in FY 2023.

Under current law, Ecology has operating and capital budget programs related to several of the funding areas identified under section 24. Ecology assumes that some of the investment areas under section 24 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.

Ecology assumes some of the investment areas administered under section 24 would be grant programs. 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 Council and Panel. The costs for this rulemaking are indeterminate pending determination of which programs Ecology would conduct, as well as guidance provided by Council and Panel.

Section 25 - Travel costs for auditing and technical assistance to out of state transportation fuel suppliers

PART II.C – Expenditures Narrative

Costs are indeterminate due to uncertainty regarding the number of out of state suppliers and actual travel required. Additionally, the ability and capacity for suppliers to provide secure remote access for sensitive documents differs from supplier to supplier and would render travel costs indeterminate, estimated to range between $6,384 and $97,608 per year, based on the following assumptions.

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

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

Based on these costs, the minimum estimated cost would be $6,384 per year for 3 visits x $2,128 per visit.
Ecology may need to perform full-length desk audits each year. It is assumed that desk audits would require three weeks of in-travel status, costed as follows:
Per Diem: $66 per day x 21 days = $1,386
Lodging: $161 per night x 20 nights = $3,220
Vehicle rental: $350 per week x 3 weeks = $1,050
Airfare: $350 roundtrip (average)
Total three week cost: $6,006

Desk audit cost: $6,006 per trip x 12 audits per year = $72,072
The maximum costs estimated would include 12 additional one-week site visits each year costing $2,128 per visit x 12 visits = $25,536 per year.
Some site visits and audits may be performed remotely, depending on company policy and capacity. Based on this, the extent of required travel costs are unknown. In the early stages of implementation, Ecology would refine our understanding of travel requirements and submit a decision package in first supplemental budget for travel costs if needed.

Note on Funds Designated for Costs: All costs for implementing and administering the act would be eligible in the Climate Investment Account. Eligible costs are assumed in the Climate Investment Account starting January 1, 2023 when the cap and invest program created in this act becomes effective. Unless otherwise noted for specific sections, costs are estimated in the Model Toxics Control Account - Operating (MTCA-OP) until December 31, 2022, and in the Climate Investment Account starting January 1, 2023.

Because the first portion of revenue up to a specified amount would first be deposited in the Forward Flexible Account, the Climate Investment Account could have insufficient cash balance for costs that accrue during the first few months of fiscal years 2023 through 2037.

PART II.C – Expenditures Narrative

Staff for Program Coordination and Public Engagement

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

Policy Manager - Washington Management Service 3 (WMS3) - this position would report to the Air Quality Program Manager and would provide policy support and agency coordination for the implementation of the Climate Commitment Act and for the climate commitment and task force requirements in sections 25 and 26.

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

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

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

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

Community Outreach and Environmental Education Specialist 4 (COEES4) – this position would develop and implement statewide public engagement and education for the new program. The COEES4 would organize public meetings, develop educational materials, coordinate with stakeholders, lead development of program implementation and compliance materials, and oversee work of supporting

COEES positions dedicated to specific program needs. The additional staff time needed is estimated to be 1.0 FTE in FY 2022 and ongoing thereafter.

Environmental Justice Review - Section 3

Ecology estimates two dedicated positions to create and implement the community engagement plan, work with members of the public to share data and develop criteria for prioritizing overburdened communities to be monitored. Once priority communities are identified, Ecology staff would keep communities apprised of monitoring status, provide technical assistance to sources that are identified in the assessment, and prepare the evaluations required in 2025 and every two years thereafter. These positions would also coordinate with other program and agency staff on follow-up actions based on the findings of the evaluations. This fiscal note assumes that new priority communities would be identified in future years as conditions change, and that community engagement, assessment, monitoring, technical assistance with sources, evaluations, and corrective actions would be ongoing processes.

Environmental Specialist 5 – this position would consult with University of Washington and Department of Health as needed to perform analysis of available air quality monitoring and environmental health disparity data, work with public participants to develop criteria for high priority communities, perform analysis based on chosen criteria, and share preliminary results with communities for consideration. This position would identify monitoring needs, provide outreach and coordinate technical assistance for identified sources in priority communities, coordinate with local air authorities as applicable, prepare evaluations of emissions in priority communities in 2025 and every two years thereafter, provide recommendations for corrective actions as needed, coordinate with air quality program staff to implement and monitor corrective actions, and perform continuing analysis to identify new priority communities as conditions change. The additional staff time needed is estimated to be 1.0 FTE ES 5 in FY 2022 and ongoing.

Community Outreach and Environmental Education Specialist 4 (COEES 4) – this position would lead the development and implementation of the community engagement plan, organize opportunities for public participation on an ongoing basis while high priority communities are monitored for purposes of evaluations, and while corrective actions are taken, if needed. This position would provide education and outreach in overburdened communities to raise awareness of criteria pollutants and their health impacts and coordinate resources to support public access and participation, accessibility, and engagement. The additional staff time needed is estimated to be 1.0 FTE COESS 4 in FY 2022 and ongoing.

Ecology estimates ten public meetings in overburdened communities on an annual basis to implement the community engagement plan during the initial and continuing identification of high priority communities, to provide education and outreach, and to inform communities of evaluation results and corrective actions. Facility costs are estimated to be $1,000 per meeting. Translation services would be provided at public meetings; based on a review of prices for DES Master Contract translation services, costs are estimated to be $100 per hour per language. Based on an estimated need for up to six languages per meeting, and two-hour meetings, the estimated cost for translation services is $1,200 per meeting.

PART II.C – Expenditures Narrative

Section 3 would require Ecology to deploy an air monitoring network in high priority overburdened communities to collect sufficient air quality data for the 2025 review and subsequent reviews of greenhouse gas and criteria pollutant reductions in those communities.

Based on an assumption that legislative intent of the term "network" is to operate multiple monitoring sites in each community, this fiscal note estimates costs to establish and operate monitoring networks in 10 priority communities based on the following assumptions:
- As PM2.5 is the primary criteria pollutant of concern in Washington, monitoring networks would only measure PM2.5
- Each of the 10 communities would have one central fixed site running established but non-regulatory PM2.5 monitoring equipment (correlated nephelometer) plus five additional locations with PM2.5 sensors to capture PM2.5 gradients within communities
- Priority communities would be located in each of Ecology's four regions (NWRO, SWRO, CRO and ERO), requiring operational staff in each region
- Monitoring sites would be established in FY 2023 after the first priority communities had been identified through analysis and public engagement
- Staff and supply costs are estimated to be ongoing based on an assumption that new priority communities would continue to be identified; as priority communities' emissions improve, monitoring networks would be relocated to other, new priority communities.

This fiscal note assumes 10 priority communities would be identified, though the exact number would be determined through a process involving extensive public engagement. As there are economies of scale to establishing multiple sites at once, the cost per community would likely be somewhat higher than a proportionate share of these estimates if a smaller number of priority communities were chosen.

Staff needed to deploy monitoring networks would be as follows.

Operations - 2 FTE Environmental Specialist 4 (ES4) (0.5 per region) in FY 2023 and 1 FTE (0.25 per region) in FY 2024 and ongoing thereafter. These positions would select monitoring sites, install monitors, and perform routine operation, quality control, and site management on an ongoing basis.

Calibration and Repair - 0.33 FTE ES4 in FY 2023 and 0.2 FTE in FY 2024 and ongoing thereafter. This position would acquire, test, and configure equipment in the first year and perform annual maintenance on an ongoing basis.

Quality Assurance - 0.25 FTE ES4 in FY 2023 and ongoing thereafter. This position would review and validate data from fixed sites and air sensors.

IT Coordination - 0.6 FTE IT Data Management Journey in FY 2023 and 0.3 FTE in FY 2024 and ongoing thereafter. This position would establish a telemetry, data management, and operator notification system in the first year and provide ongoing maintenance of site communications, telemetry and the monitoring database on an ongoing basis.

Project Management, Coordination, and Data Analysis - 0.25 FTE Natural Resource Scientist 4 in FY 2023 and 0.125 FTE in FY 2024 and ongoing thereafter. This position would plan and coordinate the network, and manage contracts, leases, data analysis, and best practices for sensor data use.

PART II.C – Expenditures Narrative

The networks would require the following equipment and supplies
• $15,000 in equipment and supplies to establish each new central fixed site per community (including shelters, instrumentation, electrical, communications and telemetry equipment), estimated in Object J.
• $1,100 per year in ongoing telemetry and supply costs for each central fixed site, estimated in Object E.
• $6,000 per year for sensor acquisition and data access costs for each group of 5 sensors per community, estimated in Object E.

Total equipment and supply costs per community would be $22,100 in FY 2023, and $7,100 in FY 2024 and ongoing. The full equipment estimate would be $150,000 one-time in FY 2023 and the supply estimate would be $71,000 in FY 2023 and ongoing thereafter for ten communities.

High priority communities could be identified in cities under the jurisdiction of a Local Air Authority. In such an event, Ecology would coordinate with the local air authority to ensure mutual agreement on monitoring plans and corrective actions as needed. For purposes of this fiscal note, Ecology assumes full responsibility for the requirements of section 3.

For purposes of this fiscal note, we are assuming that all priority communities would experience a decrease in emissions. In the event that emissions were not reduced, Ecology may need to submit legislative proposals and implement rule changes and corresponding updates to the State Implementation Plan of the Federal Clean Air Act with the Environmental Protection Agency, and coordinate with Local Air Authorities on changes needed in their areas of jurisdiction. The level of changes needed would be determined for each instance of failure to achieve emissions reductions.

First and Second Compliance Period Requirements and Criteria – Rulemaking for Sections 8, 9, 10, 11, 12, 13, 14, 15, 16, 22, and 23

The proposed legislation would establish a cap and invest program that would phase in regulatory requirements for different classes of GHG reporters. Ecology would be required to set annual greenhouse gas allowance budgets, which would be designed to reduce emissions over time in order to meet statewide emission limits established in RCW 70A.45.020. The initial annual allowance budgets for calendar years 2023 through 2026, would have to be adopted through rulemaking by October 1, 2022.

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

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

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

Section 8 would require rulemaking to set allowance auction schedules, allowance budgets, and other criteria and provisions. By October 1, 2028, Ecology would adopt by rule annual budgets for calendar years 2031 through 2040 to achieve 2040 emission reduction limits identified in RCW 70A.45.020. Costs for this rule making cycle are not assumed in this fiscal note. Ecology would submit a budget request in the future as necessary.

Section 9 would designate the criteria for program coverage and define the entities who would have regulatory requirements in each compliance period. Rulemaking would require extensive outreach to impacted entities, and section 10 would require Ecology to establish registration procedures by rule.

Section 11 would require Ecology to adopt by rule provisions to guard against bidder collusion and minimize the potential for market manipulation.

Section 15 would require Ecology to set an emissions containment reserve price by rule to ensure that the price of allowances remain sufficient to incentivize reductions of GHG emissions.

Section 16 would require Ecology to adopt by rule floor prices, allowance holding limits, ceiling prices, and timing to offer allowance price containment reserve auctions.

Section 22 would encourage Ecology to seek linkage agreements with other jurisdictions. Ecology assumes that a memorandum of understanding (MOU) would be prepared in the first year for linkage with California. The process of MOU drafting and approval would take eighteen months. As described later in this fiscal note, linkage with California would require substantial changes in the greenhouse gas reporting program protocols and systems. Ecology would begin making these changes in FY 2022, but estimates that it would take a minimum of four years to change GHG reporting rules and implement the necessary changes to ensure compatible data and successful linkage. Section 22 would require Ecology to conduct a public comment process to obtain input and a review of a proposed linkage agreement by relevant stakeholders and other interested parties. Input from the public comment process would be considered before finalizing a linkage agreement.

Section 23 would authorize rulemaking to implement the provisions of the chapter and emergency rules pursuant to RCW 34.05.350 for initial implementation of the program, and to ensure that reporting and other program requirements are determined early for the purpose of program design and early notice to registered entities with a compliance obligation under the program.

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

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

Environmental Planner 5 – these positions would provide policy and technical expertise to support rulemaking, coordinate with other jurisdictions to plan linkage agreements based on the public comments process, ensure rules align with existing programs in other jurisdictions, and coordinate contract agreements with Western Climate Initiative (described below for section 11 regarding auction administration). The additional staff time needed is estimated to be 2.1 FTE in FY 2022, 0.5 FTE in FY 2023, and 2.0 FTE each year in FY 2025, FY 2026, and FY 2027.

Environmental Specialist 5 – these positions would provide technical support, respond to public questions during the rulemaking and linkage agreement development process, and support ongoing data analysis and evaluation. The additional staff time needed is estimated to be 3.1 FTE in FY 2022 and 0.75 FTE in FY 2023, and 3.0 FTE each year in FY 2025, FY 2026, and FY 2027.

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

Community Outreach and Environmental Education Specialist 3 – this position would provide outreach to ensure that the public is aware of the program and requirements and provided opportunities to participate during rulemaking, as well as support outreach for the public comment process for the proposed linkage agreement in FY 2022. The additional staff time needed is estimated to be 0.6 FTE in FY 2022 and 0.5 FTE in FY 2023, and 0.5 FTE each year in FY 2025, FY 2026, and FY 2027.

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

PART II.C – Expenditures Narrative

Ecology would hold the following numbers of public meetings or hearings for the two rulemaking processes: sixteen events in FY 2022 (four of which dedicated to the review of proposed linkage agreements), five events in FY 2023, four events in FY 2025, four events in FY 2026, and four events in FY 2027. Cost estimates include facility rental costs, estimated at $1,000 per meeting.

The Attorney General's Office (AGO) estimates 0.4 FTE Assistant Attorney General (AAG) and 0.2 FTE Legal Assistant each year in fiscal years 2022 through 2025, and 0.25 FTE Assistant Attorney General (AAG) and 0.13 FTE Legal Assistant in FY 2026 and each fiscal year thereafter would provide and support consultation throughout all rulemakings required for the proposed program and criteria, as well as to support program implementation. AGO support is estimated to cost $97,000 each year from FY 2022 to FY 2025, and $59,000 each year in FY 2026 and ongoing thereafter, and is included in Object E. Consistent with the AGO fiscal note estimates and for purposes of simplicity, the AGO time to support all rulemaking functions for this bill are included in this portion of the fiscal note and are referenced where other related rulemaking efforts described below.

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

Evaluation of Program Performance – Section 8

Section 8 (3) would require Ecology to conduct evaluations of program performance by December 31, 2027, and December 31, 2035, and adjust annual allowance budgets as needed to ensure achievement of future GHG emissions reduction targets. Ecology would be required to share the evaluation and supporting data, metrics, and processes publicly and include “public consideration” of proposed adjustments.

For the first evaluation of performance, this fiscal note assume a full year of evaluation to allow time for public input for adjustment recommendations. Staff would begin collecting data and performing analysis January 2027. The preliminary evaluation and recommendations would be posted publicly by May 1, 2027, and three public meetings would be offered for public comments in June, July, and August of 2027. The report and recommendations would be drafted starting in September and published by December 31st.

Based on the assumptions above, estimated staffing would be as follows between January and June 2027:

Environmental Specialist 5: This position would perform analysis of current emissions data and calculate attainment of emissions reduction targets under proposed adjustments and alternatives, and respond to public questions and comments. The estimated additional time needed is 0.1 FTE in FY 2027.

PART II.C – Expenditures Narrative

Environmental Planner 5: This position would analyze changes in emissions under previous allowance budgets and develop proposed approaches and adjustments to meet targets, as well as respond to public questions and comments. The estimated additional time needed is 0.1 FTE in FY 2027.

Community Outreach and Environmental Education Specialist 3: This position would support publication of the evaluation and proposed adjustments for public review and support the public comments process. The estimated additional time needed is 0.05 FTE in FY 2027.

Facility Costs for a public meeting in June 2027 are estimated to be $1,000 in Object E.

Costs in FY 2028 to complete the evaluation, and costs for the second evaluation in FY 2035 and FY 2036 fall outside the time scope of this fiscal note, and Ecology would submit a decision package for additional authority as needed.

Consistency with Review of New Facilities – Section 9

Section 9 would direct Ecology to evaluate the net cumulative GHG emissions for a new or modified facility that would require review under the State Environmental Policy Act (SEPA) and would result in annual GHG emissions in excess of 25,000 metric tons per year. Ecology would be authorized to adopt rules to determine how to evaluate net cumulative emissions reductions. The evaluation would need to consider net displacement of global emissions resulting from the project.

This fiscal note assumes rule adoption to document the methods for evaluating net cumulative emissions reductions and to provide a formal process for stakeholder input on the methods. Ecology is currently preparing a rule related to GHG evaluations for SEPA reviews to meet the requirements of Governor's Directive 19-18; rulemaking for section 17 would clarify relationships to this directive and seek alignment where there are differences. The rulemaking timeline is assumed to be two years, starting July 1, 2023.

The rulemaking lead would oversee project management, lead rule development, manage stakeholder engagement, and perform other tasks as necessary. Ecology estimates that this work would require 0.85 FTE Environmental Planner 4 in each year in FY 2024 and FY 2025.

Technical staff would work with the rulemaking lead to create the rule language and drive the overall policy change of the rulemaking. Ecology estimates that 0.75 FTE Environmental Planner 5, 0.5 FTE Environmental Planner 4, and 0.25 FTE Environmental Specialist 5 in the Shorelands and Environmental Assistance Program would provide technical guidance related to Environmental Assessment (SEPA) each year in FYs 2024 and FY 2025.

In addition to technical expertise for SEPA, Ecology assumes that technical expertise would be required from Ecology's Air Quality program. Environmental Planners 5 (0.75 FTE each year in FY 2024 and FY 2025) would serve as the technical and policy leads for implementing these requirements in coordination with the Shorelands and Environmental Assistance rulemaking lead. These positions would also evaluate available research and data to develop methods and guidelines. An Environmental

PART II.C – Expenditures Narrative

Specialist 5 (0.5 FTE each year in FY 2024 and FY 2025) would provide the necessary technical support and data analysis to support the development of methods and guidance.

To support public engagement, Ecology estimates 0.10 FTE Community Outreach and Environmental Education Specialist 4 each year in FY 2024 and FY 2025.

We assume a contract with a professional facilitator to support four four-hour public stakeholder meetings, three in FY 2024 and one in FY 2025, estimated at $1,200 per four-hour meeting, based on DES Master Contract pricing for facilitation. Facility costs are estimated at $1,000 per meeting in Object E.

Economic research staff would complete economic and regulatory analysis in support of the rule as required by law. Ecology estimates that this work would require 0.10 FTE Regulatory Analyst 2 and 0.25 FTE Economic Analyst 3 in FY 2025.

Based current contracting for Governor's Directive 19-18, Ecology estimates a $250,000 contract in FY 2024 to provide the expertise to develop criteria and guidelines for GHG emissions lifecycle analysis.

Assistant Attorney General (AAG) and Legal Assistant support is included in the estimates provided at the beginning of this fiscal note.

Allowance Trading and Tracking Systems – Section 10

Section 10 would require a robust web-based system to provide access to data, verification, and routine monitoring. Ecology assumes we would use existing systems accessible through membership with WCI and used by other jurisdictions with which the state may engage in a linkage agreement. We may need to set-up other systems and accounts, such as an allowance retirement tracking system and on-line notification systems.

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

Section 10 (7) would require Ecology to display information about the contents of each holding account, including the number of allowances in each account, on our public website, and section 10 (10) would require Ecology to maintain a public roster of all covered entities, opt-in entities, and general market participants on the public website.

Ecology assumes WCI could support the display of holding account allowance balances for public reference. Based on similar requirements for Quebec's program, this data would be provided to Ecology by WCI in spreadsheet form. Ecology estimates that this additional feature would require additional contract costs of $25,000 each year in Object C. The posting of this data following each auction, and maintenance of the roster of entities would be managed by the Community Outreach and Environmental Education Specialist 4 estimated in the section for Staff for Program Coordination and Public Engagement above.

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

Phase 1 – Coordination with WCI, adaptation of systems for Washington, testing, and implementation: July 1, 2011 – December 31, 2022. The first auction would be in January 2023. This would provide eighteen months total to have the allowance trading and tracking systems ready
Project Management: 1.0 FTE IT Application Development - Senior/Specialist (the Washington Office of the Chief Information Officer (OCIO) requires a position at this job classification or equivalent to serve in the project management role for IT projects of this scope)
Technical Expert: 1.0 FTE IT Application Development - Senior/Specialist
Developer: 2.0 FTE IT Application Development - Journey
Phase 2 – Support and troubleshooting for first year of auctions and coordination with QA review contractor: January 1, 2023 – December 31, 2023
Project Management: 1.0 FTE IT Application Development - Senior/Specialist
Technical Expert: 1.0 FTE IT Application Development - Senior/Specialist
Developer: 2.0 FTE IT Application Development – Journey

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

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

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

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

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

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

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

Implement Auctions and Carbon Market – Sections 11 and 15

Sections 11 and 15 describe the requirements and criteria for administering auctions and containment price reserve auctions. Costs to adopt these criteria by rule are described above. Below are the estimated costs to implement and administer the auctions.

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

PART II.C – Expenditures Narrative

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

The first auction would be held in January 2023. A maximum of four allowance auctions would be conducted per year under Section 11. Allowance price containment reserve auctions would be held separately when the settlement prices in the preceding auction approach the adopted auction ceiling price, per Section 15.

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

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

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

Environmental Specialist 4 - these positions would perform the roles of registrar, auction authority, and auction administrator, which are required year-round. Two staff would be dedicated to each role. The additional staff time needed is estimated to be 6.0 FTE in FY 2023 and ongoing thereafter.

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

Compliance and Market Oversight - Sections 10 and 20

PART II.C – Expenditures Narrative

Section 10 would require Ecology to use a secure, online electronic tracking system to register entities in the state program, issue compliance instruments, facilitate program compliance, and support market oversight, and section 20 would establish four-year compliance cycles. Ecology estimates an Environmental Planner 4 would manage the market oversight, monitor market functions and program performance, track auctions, coordinate with other jurisdictions and federal market regulatory agencies, and track compliance. The additional staff time needed is estimated to be 1.0 FTE Environmental Planner 4 each year in FY 2022 and ongoing thereafter.

EITE Criteria, Carbon Intensity Benchmarks Rulemaking and Implementation, and Legislative Report – Section 12

Section 12 (2) would require Ecology to adopt a rule by July 1, 2022 establishing objective numerical criteria for both emissions intensity and trade exposure for the purpose of identifying emissions-intensive trade-exposed manufacturing businesses during the second and subsequent compliance periods.

Section 12 (3) would direct Ecology to allow EITEs to apply and receive an adjustment to their allocation of allowances based on a facility-specific carbon intensity (CI) benchmark, and would require Ecology to establish methods to award additional no cost allowance allocations for EITEs, if appropriate based on projected production, to achieve a similar on-going result through the adjustment of the facility's mass-based baseline. This would be adopted in rule according to the timeline and requirements specified in this subsection.

Section 12 (4) would require Ecology by December 1, 2030, to provide a report to the legislature describing alternative methods and best practices for allocating allowances to EITE, ensuring against emissions leakage. The report would require input from an advisory group including representatives of industry classified as EITE under section 12 (1).

For the rulemaking process required in section 12 (2) to determine the second compliance period EITE criteria, it is assumed that the rules adopted by July 2022 would be based on best available data.

The rule required in Section 12 (2) would identify criteria for EITE designation in the second compliance period (beginning CY 2027) and all future compliance periods. Criteria for EITE designation would have strong public interest and economic impacts. Because of this, the rulemaking would require a robust stakeholder process, and a rule of this nature would typically require a two-and-a-half-year timeline. In order to ensure a rule that meets emissions reduction goals and minimizes economic impacts to the regulated community, Ecology estimates that a minimum of eighteen months would be needed, and that the rule could not be adopted by July 1, 2022. Assuming a start date of July 1, 2021, Ecology would adopt the rule required by section 12 (2) by December 31, 2022, which would still provide sufficient time for the regulated community to be informed of criteria before the start of the second compliance period in CY 2027.

Based on the assumptions and requirements described above, the estimated staff time and costs for the requirements of section 12 are as follows.

PART II.C – Expenditures Narrative

Environmental Planner 3 - the rulemaking lead would oversee project management, lead rule development, manage stakeholder engagement, and other tasks as necessary for both rule changes, and draft the report required in section 12 (4). The additional staff time needed is estimated to be 0.85 FTE in FY 2022, and 0.5 FTE in FY 2023. Staff time for the report is outside the scope of this fiscal note.

Environmental Planner 5 – these positions would identify and invite workgroup members and research calculation approaches for the workgroup to consider and coordinate with stakeholders on EITE criteria. These positions would focus on cross-jurisdictional considerations and policy implications of proposals, and evaluate emissions reductions implications of proposed approaches. Ongoing staff time would support continued evaluation of emissions reduction under the benchmarks and recommend adjustments as needed, and contribute analysis for the report required in section 12 (4). The additional staff time needed is estimated to be 1.7 FTE in FY 2022, 1.0 FTE in FY 2023, and 0.25 FTE FY 2024 and ongoing. Additional time would be needed beyond FY 2027 for the report required in section 12 (4), but this is beyond the scope of this fiscal note.

Environmental Specialist 5 – this position would support CI benchmark analysis and calculations, provide technical support for public comments during rulemaking, and provide ongoing technical assistance to EITE for calculating and submitting CI data each year. The additional staff time needed is estimated to be 0.8 FTE in FY 2022, 0.65 FTE in FY 2023, 0.75 FTE each year in FY 2025 and FY 2026, 0.25 FTE in FY 2027, and 0.35 FTE in FY 2028 and ongoing thereafter.

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

The following positions would complete an economic and regulatory analysis of the two rules for section 12, and the regulatory analyst would also provide coordination support for the legislative report, which would be written in the years following the timeline covered by this fiscal note. The additional staff time needed is estimated to be

- Economic Analyst 3, 0.45 FTE in FY 2023; and
- Regulatory Analyst 2, 0.15 FTE in FY 2023.

Professional services contracts would be required for facilitation of the workgroup. Based on the range of pricing under the Department of Enterprise Services (DES) Master Contract for Facilitation Services, this fiscal note estimates $300 dollars per hour. From April 2022 through July 2022, the work group would meet twice monthly for four hour meetings. Estimated facilitation costs for FY 2022 would be $300/hour x 24 hours = $7,200. Facilitation costs in FY 2023 would be $300/hour x 8 hours = $2,400. A facilitation contract would also be needed for the work group meetings to prepare the report required in section 12 (4). Work on the report would begin January 1, 2029, which is beyond the timeframe for this fiscal note.

Professional services contracts would be required to consult with a third-party expert to assist in gathering data and conduct analysis to support EITE designations. The cost for this contract is estimated to be $110,000 in FY 2022 and $50,000 in FY 2023. The total estimated agreement cost of $160,500 for each rulemaking process is based on Ecology's cost for roughly 0.9 FTE of Environmental Planner 5.

Cost estimates also include facility rental costs, estimated at $1,000 per meeting. AGO support costs are included in the estimates provided above for initial rulemaking.

Ecology would also need to contract with a consultant to evaluate best practices for allocating allowances to EITE, ensuring against emissions leakage, for the report required in section 12 (4). Based on the range of pricing under the Department of Enterprise Services (DES) Master Contract for Environmental Consultation related to energy regulatory compliance, estimated contract rates would be $275/hour. Work on the report would begin January 1, 2029, which is beyond the timeframe for this fiscal note.

A new Information Technology application would be needed for the EITE entities to submit CI benchmarks and supporting data and calculations as needed. Ecology would need the following staff to support system development and maintenance.

IT Application Developer – Journey – one position full-time for 6 months (0.5 FTE in FY 2022) would be needed for initial development of the CI reporting program.

- IT Business Analyst – Entry- one position half-time for 12 months (0.5 FTE in FY 2022) would be needed for project management and development of reports.

- IT Application Developer – Journey – (0.2 FTE in FY 2022 and ongoing thereafter) would be needed for ongoing system maintenance.

Allocations of No-Cost Allowances for Electricity Utilities and Providers, and Natural Gas Utilities - Sections 13 and 14

Section 13 would require Ecology to consult with Commerce and the UTC to establish in rule by October 1, 2022 allocations of allowances provided at no cost to electricity utilities. By October 1, 2026, Ecology would consult with Commerce and the UTC to adopt rules for allocating allowances to be provided at no cost during the second compliance period to consumer-owned or investor-owned electricity utilities and providers or electricity providers, as well as the amount of allowances allocated at no cost that must be consigned to auction for the second compliance period.

By October 1, 2028, Ecology would adopt an allocation schedule by rule, in consultation with Commerce and the UTC, for the provision of allowances at no cost to consumer-owned or investor-owned electricity utilities and providers for the compliance periods contained within calendar years 2031 through 2040. This allocation would be consistent with a forecast approved by the appropriate governing board or the UTC, of each utility's supply and demand, and the cost burden resulting from the inclusion of the covered entities in the compliance periods. This fiscal note assumes that expenditure authority for rules to adopt allowances for the compliance periods beginning calendar year 2030 would be requested in a future budget request, based on rulemaking experience for the previous compliance periods.

PART II.C – Expenditures Narrative

Section 14 would require Ecology to consult with the UTC and adopt rules by October 1, 2022 for allocations of free allowances to be provided to natural gas utilities. Ecology would need to consult with the UTC and adopt rules prior to each subsequent compliance period for natural gas utilities' allowance provisions during the future compliance periods. Ecology assumes that the rule adopted by October 1, 2026 for electricity allowances in the second compliance period would include the allowance provisions for natural gas utilities.

By October 1, 2028, Ecology would consult with the UTC to adopt allocations of no cost allowances for natural gas utilities for calendar years 2030 through 2040. This fiscal note assumes that expenditure authority for rules to adopt allowances for the compliance periods beginning calendar year 2030 would be requested in a future budget request, based on rulemaking experience for the previous compliance periods.

Based on the assumptions and requirements above, the initial rules would require a standard rulemaking process with opportunity for public comments during the process, but rulemaking would need to be accelerated to adopt the allocations for electricity providers by October 1, 2022. Rulemaking would start July 1, 2021. Rulemaking for initial electricity allocations would conclude September 30, 2022 (fifteen months). The rules would incorporate, to the extent possible, approaches used by other jurisdictions with which Ecology may engage in a linkage agreement.

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

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

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

Environmental Planner 5 – these positions would provide policy and technical expertise to support rulemaking, conduct ongoing analysis and evaluation and coordination with the UTC and Commerce. These positions would consult with Commerce and UTC to determine appropriate allowance consignment levels to support low income rate payers in FY 2025 and 2026. The additional staff time needed is estimated to be 0.64 FTE in FY 2022, 0.64 FTE in FY 2023, 1.0 FTE each year in FY 2025 and FY 2026, 0.25 FTE in FY 2027, and 0.2 FTE in FY 2028 and ongoing thereafter.

Environmental Engineer 5 – this position would lead allocation calculation efforts based on best available data. This position would continue to evaluate allocations on an ongoing basis as reporting data is updated to support linkage agreements. The additional staff time needed is estimated to be 0.5 FTE in FY 2022, 0.65 FTE in FY 2023, 0.75 FTE each year in FY 2025 and FY 2026, 0.25 FTE in FY 2027, and 0.35 FTE in FY 2028 and ongoing thereafter.

Environmental Engineer 3 – this position would support allocation calculations and provide technical support for public comments during rulemaking. This position would support ongoing evaluation of EITE allocations at the FTE level estimated for FY 2024. The additional staff time needed is estimated to be 0.5 FTE in FY 2022, 0.65 FTE in FY 2023, 0.75 FTE each year in FY 2025 and FY 2026, 0.25 FTE in FY 2027, and 0.35 FTE in FY 2028 and ongoing thereafter.

Environmental Specialist 5 – this positions would provide analysis to support an evaluation of recommended allowance consignment levels in the second compliance period. The additional staff time needed is estimated to be 0.2 FTE each year in FY 2025 and FY 2026.

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

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

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

Price Ceiling Units – Section 17

Section 17 would require sale of price ceiling units as an alternative to price containment reserve auctions, in the event that price containment reserve allowances were not available and allowance prices were to reach the ceiling limits designated in rule. This section would require funds raised in connection with the sale of price ceiling units must be expended to achieve emissions reductions on at least a metric ton for metric ton basis that are real, permanent, quantifiable, verifiable, enforceable by the state, and in addition to any greenhouse gas emission reduction otherwise required by law or regulation and any other greenhouse gas emission reduction that otherwise would occur.

The price ceiling unit would be a new allowance instrument that would not be supported by WCI, Inc. Ecology assumes that the receipts from the sales of price ceiling units would be managed by Ecology and deposited in the Climate Investment Account. This would require the following staff to develop protocols implement the sale transactions and manage the revenue as well as track balances of these units, because they would not be tracked in the WCI system for purposes of compliance tracking.

PART II.C – Expenditures Narrative

Environmental Planner 5 – This position would develop protocols for managing price ceiling units and examine impacts of price ceiling unit sales on linkage agreements with other jurisdictions. The additional staff time needed is estimated to be 0.75 FTE FY 2022.

Fiscal Analyst 5 – This position would provide technical guidance related to fiscal requirements and integration of the trading platform with Ecology's integrated fiscal management and invoicing system. The additional staff time needed is estimated to be 0.5 FTE FY 2022.

Fiscal Analyst 3 - This position would manage invoicing and receipts associated with price ceiling unit sales transactions. Based on an assumption that price ceiling unit sales would be infrequent, the additional staff time needed is estimated to be 0.5 FTE FY 2022 during system development and 0.1 FTE in FY 2023 and ongoing each fiscal year thereafter.

Environmental Specialist 4 – This position would implement price ceiling unit sales, track price ceiling unit balances, and track revenue in the Climate Investment Account to be designated for the purposes described in this section. Based on an assumption that price ceiling unit sales would be infrequent, the additional staff time needed is estimated to be 0.5 FTE FY 2022 during system and protocol development and 0.1 FTE in FY 2023 and ongoing each fiscal year thereafter.

Because this separate allowance would not be supported by WCI, Inc., Ecology would need to develop and maintain a system to assign, track, and facilitate trade of price ceiling units. Because this system would support financial transactions between regulated entities and could have significant public impacts, this fiscal note assumes that the development of the ceiling unit tracking and trading system would require quality assurance (QA) oversight per The Washington State Office of the Chief Information Officer (OCIO).

The project would need to start by July 2021 to ensure that the project and quality assurance review are complete before the program's start date of January 1, 2023. The estimated staff time needed would be as follows:

System Developer/Systems Integration – IT Application Development Senior/Specialist: This position would prepare the technical systems implementation and coordinate on requirements for integration with the agency's financial systems. The additional staff time needed is estimated to be 1.0 FTE in FY 2022 and .75 FTE in FY 2023.

Project Management - IT Project Management Senior/Specialist: OCIO requires a staff person of this job classification to serve in the project management role for IT projects that have a substantial public impact. This position would conduct business analysis, research end-user needs, and serve as project contact for the QA reviewer. The additional staff time needed is estimated to be 1.0 FTE in FY 2022 and 0.50 FTE in FY 2023.

Application Developer - IT Application Development Journey: This position would prepare the coding and for the new application and provide ongoing maintenance. The additional staff time needed is estimated to be 1.0 FTE in FY 2022, 1.0 FTE in FY 2023, and 0.3 FTE in FY 2024 and ongoing.

PART II.C – Expenditures Narrative

IT App Development – Manager: This position would provide general oversight and staff coordination for the project. The additional staff time needed is estimated to be 0.1 FTE in FY 2022 and 0.1 in FY 2023

Ecology would be required to contract with an OCIO-approved QA reviewer to analyze project management and implementation. Based on pricing for a current Ecology IT project, the contract costs are estimated to be $51,802 in FY 2022 (includes readiness assessment ($9,945), project QA plan ($4,127), and seven periodic assessments at $5,390 per report) and $32,340 in FY 2023 (five assessments and a post implementation report at $5,390 each).

Offset Protocols– Section 18

Ecology would be required to adopt by rule protocols for establishing offset projects and securing offset credits that may be used to meet a portion of a covered or opt-in entity's compliance obligation under section 20.

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

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

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

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

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

PART II.C – Expenditures Narrative

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

The following positions would complete an economic and regulatory analysis of the rule. The additional staff time needed is estimated to be
- Economic Analyst 3 at 0.25 FTE in FY 2024, and 0.25 FTE in FY 2027 and every three years thereafter;
- Regulatory Analyst 2 at 0.1 FTE in FY 2024, and 0.1 FTE in FY 2027 and every three years thereafter.

Ecology would hold three public meetings each year in FY 2022 and FY 2023 and one hearing in FY 2024. Cost estimates include facility rental costs, estimated at $1,000 per meeting. AGO support cost assumptions are included in the estimates provided above for initial rulemaking.

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

Assistance for Offset Projects – Section 19

Section 19 would require Ecology to establish an assistance program for offset projects on federally recognized tribal lands in Washington. The assistance could include, but would not be limited to, funding or consultation for federally recognized tribal governments to assess proposed offset projects' technical feasibility, investment requirements, development and operational costs, expected returns, administrative and legal challenges, and project risks and pitfalls. Funding or assistance may be provided upon request by a federally recognized tribe. Section 19 (2) specifies legislative intent that not less than five million dollars be provided in the biennial operating budget for the purposes of this section.

To meet the stated intent of this section, Ecology assumes we would administer an ongoing grant program in the operating budget beginning in the 2021-23 biennium with a minimum of $5 million per biennium dedicated to grants. Because the program would require collaboration with tribes and stakeholders to establish grant criteria and time to establish grant applications in Ecology's grants system, Ecology assumes that grants would first become effective on July 1, 2022.

We estimate 1 FTE Environmental Specialist 5 in FY 2022 and ongoing each fiscal year thereafter to develop and implement the grant program, support grant program rulemaking, and coordinate technical support and resources to provide consultation and analysis of technical feasibility, investment requirements, development and operational costs, expected returns, administrative and legal challenges, and project risks and pitfalls.

PART II.C – Expenditures Narrative

Also included are costs to establish and maintain the grant program and applications in the agency's grant and loan system ($27,500 in FY 2022 and $7,500 in FY 2023 and each year thereafter shown in object E).

Ecology assumes that we could begin the grant programs without rule changes, but that we would need to do rulemaking to ensure alignment with this bill. Ecology assumes we would conduct rulemaking for the grant program to establish grant funding criteria. Ecology estimates that rulemaking would be moderately complex and generate substantial interest and input from federally recognized tribes. It would require eighteen months, from July 1, 2021 to December 31, 2022, and would require the following staff:

Rulemaking Lead: Ecology estimates that an Environmental Planner 3 would spend 0.5 FTE in FY 2022 and 0.25 FTE in FY 2023 coordinating the rulemaking effort.

Technical Lead: Ecology estimates that an Environmental Engineer 5 would spend 0.25 FTE in FY 2022 and 0.13 FTE in FY 2023 to develop guidance and resources for grantees to evaluate offset project technical feasibility.

Policy Lead: Ecology estimates that an Environmental Planner 5 would spend 0.25 FTE in FY 2022 and 0.13 FTE in FY 2023 to advise on offset projects and assistance practices in other jurisdictions, as well as resources for identifying administrative and legal challenges.

The following positions would complete an economic and regulatory analysis of the rule: Economic Analyst 3, 0.20 FTE in FY 2023; Regulatory Analyst 2, 0.05 FTE in FY 2023. Ecology would hold two public meetings in FY 2022 and one public hearing in FY 2023 for rulemaking. Goods and services estimates include facility rental costs estimated at $1,000 per meeting.

GHG Reporting Modifications – Sections 7, 14, 22, and 25

Sections 7 and 22 would encourage Ecology to seek to enter into linkage agreements with other jurisdictions. A linkage agreement would require coordination of several elements of the carbon pollution market program. Ecology would be required to adopt a rule before executing a linkage agreement. For the purposes of this fiscal note, Ecology assumes that we would work toward entering into linkage agreements with other jurisdictions.

Section 25 would modify Greenhouse Gas (GHG) reporting program requirements in RCW 70A.15.2200 to align with the data requirements and coverage of the proposed GHG cap program proposed in section 7.
The cost estimates for these sections are broken into three components: rulemaking costs, IT systems needs, and GHG reporting data needs.

GHG Reporting Rule Updates

PART II.C – Expenditures Narrative

Coverage requirements for the proposed carbon market program and data requirements to fulfil future linkage agreements for sections 7 and 22 would require significant amendments to the existing mandatory GHG emissions reporting rule in order to incorporate data verification requirements and align GHG reporting criteria with those of other states in order to implement linkage agreements in the future. Ecology estimates that this would require complex rulemaking spanning four years. This would provide opportunity for extensive outreach and public comments during the process of revising GHG reporting protocols to incorporate changes in statute and accommodate linkage agreements. The initial rulemaking would start July 1, 2021, and end June 30, 2025 and would need the following staff and resources.

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

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

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

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

Ecology would hold six public meetings in FY 2024 and one hearing in FY 2025. Cost estimates include facility rental costs, estimated at $1,000 per meeting. AGO support cost assumptions are included in the estimates provided above for initial rulemaking.

GHG Reporting IT Systems Needs, Sections 22 and 25

In order to pursue a linkage agreement with California, substantial changes to greenhouse gas reporting systems would be needed to align Washington's Greenhouse Gas Reporting Tool (e-GGRT) with California's system (Cal e-GGRT). Ecology's GHG reporting program protocols and systems align with Environmental Protection Agency (EPA) reporting requirements. California's GHG reporting program is based on different criteria and calculation methods. GHG reporting systems would need to be re-configured to accommodate different data requirements to align with California's system. Ecology assumes in this fiscal note that we would be able to engage in a contract with SAIC, the IT systems contractor that built Cal e-GGRT, and adopt the system for Washington State. If this is not possible, the first and second phases of the timeline described below would need to each be extended by one more year to allow time for Ecology to re-develop the system in-house, and phases one and two would need one more IT Application Development - Journey developer. Under both scenarios, a QA review contract would be required per OCIO for a project of this scale. Ecology estimates the following implementation phases and roles. Detailed position descriptions follow this summary.

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

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

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

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

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

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

PART II.C – Expenditures Narrative

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

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

GHG Reporting – Data Collection and Technical Support for Reporters – Sections 14 and 25

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

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

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

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

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

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

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

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

Travel costs for auditing and technical assistance to petroleum suppliers are indeterminate, estimated between $6,384 and $97,608 per year. Please refer to the indeterminate costs attachment for details.

Section 14 would require natural gas utilities to provide GHG reporting data specified in section 14 (3) to Ecology on or before March 1, 2022 in order to qualify for no-cost allowances; utilities would be required to continue providing data for each reporting year per section 14 (4). These data were required under the Clean Air Rule, and several natural gas utilities have been submitting this data voluntarily for several years. Reporting infrastructure for this purpose is in place.

The increase in number of reports received would require 0.1 FTE Environmental Specialist 5 (ES5) processing time in FY 2022 to verify prior year data and 0.05 FTE ES5 in FY 2023 and ongoing thereafter to process new ongoing annual data submittals.

Costs for GHG reporting changes for sections 14 and 25 would be paid with Model Toxics Control Account - Operating (MTCA-OP) until December 31, 2022, with the Climate Investment Account from January 1, 2023 through June 30, 2025, and with the Air Pollution Control Account starting July 1, 2025 and ongoing thereafter.

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

Notes on costs by object:

Salary estimates are current biennium actual rates at Step L.
Benefits are the agency average of 36.7% of salaries.
Professional Services Contracts include $1,685,344 in FY 2022, $1,347,795 in FY 2023, $1,366,912 in FY 2024, $984,660 in FY 2025, 850,120 in FY 2026, and $919,590 in FY 2027.

PART II.C – Expenditures Narrative

Goods and Services include the agency average of $4,144 per direct program FTE, plus facility costs for meetings of $37,000 in FY 2022, $22,000 in FY 2023, $14,000 in FY 2024, $20,000 in FY 2025, $19,000 in FY 2026, and $17,000 in FY 2027.
Object E includes estimated costs for SAO auditing of $33,250 each year FY 2022 through FY 2026, and Grant application system development and maintenance costs of $29,500 in FY 2022, and $7,500 in FY 2023 and each fiscal year thereafter.
AAG costs of $97,000 each year in FY 2022 through FY 2025, and $59,000 in FY 2026 and ongoing thereafter for AAG consultation for rulemaking and appeals are also included in Object E.
Object E includes monitoring network supplies, estimated at $71,000 each year, beginning in FY 2023.
Object N includes estimated grant funds of $5,000,000 in FY 2023, and $2,500,000 per fiscal year, starting in FY 2024, to support offset projects evaluation on federally recognized tribal lands.
Travel is the agency average of $2,182 per direct program FTE.
Equipment is the agency average of $1,201 per direct program FTE. Object J also includes a one-time cost of $150,000 in FY 2023 for monitoring equipment.
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.

Implementing E2SSB 5126, The Climate Commitment Act: Department of Ecology Fiscal Estimates Expenditure Overview

OPERATING BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Ecology Programs Coordination and Communications - Multiple Sections	**533,267**	**583,914**	**583,912**	**583,912**	**506,657**	**506,657**
Total Costs - 23P-1 MTCA-Op	533,267	291,957				
Total Costs - NEW-1 Climate Investment Account		291,957	583,912	583,912	506,657	506,657
Total FTEs	3.7	4.0	4.0	4.0	3.5	3.5
Total Staff costs	533,267	583,914	583,912	583,912	506,657	506,657
Professional Services Contracts						
Meeting costs						
Environmental Justice Review - Section 3	**297,180**	**1,007,736**	**633,931**	**633,931**	**633,931**	**633,931**
Total Costs - 23P-1 MTCA-Op	297,180	392,556				
Total Costs - NEW-1 Climate Investment Account		615,180	633,931	633,931	633,931	633,931
Total FTEs	2.3	6.2	4.5	4.5	4.5	4.5
Total Staff costs	275,180	764,736	540,931	540,931	540,931	540,931
Professional Services Contracts	12,000	12,000	12,000	12,000	12,000	12,000
Meeting costs	10,000	10,000	10,000	10,000	10,000	10,000
Supplies and Equipment		221,000	71,000	71,000	71,000	71,000
Initial Requirements and Criteria - Rulemaking for Sections 8, 9, 10, 11, 12, 13, 14, 15, 16, 22, and 23	**1,528,290**	**571,176**	**97,000**	**1,251,477**	**1,213,477**	**1,265,947**
Total Costs - 23P-1 MTCA-Op	1,528,290	522,675				
Total Costs - NEW-1 Climate Investment Account		48,501	97,000	1,251,477	1,213,477	1,265,947
Total FTEs	9.0	3.0		8.5	8.5	8.9
Total Staff costs	1,215,290	388,301		1,150,477	1,150,477	1,202,947
Professional Services Contracts	200,000	80,875				
Meeting costs	16,000	5,000		4,000	4,000	4,000
AAG Support for Rulemaking (all sections)	97,000	97,000	97,000	97,000	59,000	59,000

Implementing E2SSB 5126, The Climate Commitment Act: Department of Ecology Fiscal Estimates Expenditure Overview

OPERATING BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Evaluate Program and Adjust - Section 8						**38,495**
Total Costs - 23P-1 MTCA-Op						
Total Costs - NEW-1 Climate Investment Account						38,495
Total FTEs						0.3
Total Staff costs						37,495
Professional Services Contracts						
Meeting costs						1,000
Implement a Carbon Market for Washington - Sections 10, 11, 15, and 20	**2,411,909**	**3,039,243**	**2,656,994**	**2,344,415**	**2,221,411**	**2,188,161**
Total Costs - 23P-1 MTCA-Op	2,411,909	1,605,427				
Total Costs - NEW-1 Climate Investment Account		1,433,816	2,656,994	2,344,415	2,221,411	2,188,161
Total FTEs	8.1	14.7	13.7	11.8	11.2	11.1
Total Staff costs	1,231,817	1,996,813	1,785,624	1,494,605	1,393,161	1,393,161
Professional Services Contracts	1,146,842	1,009,180	838,120	816,560	795,000	795,000
SAO Services	33,250	33,250	33,250	33,250	33,250	
Implement Auctions - Sections 11 and 15	***1,075,396***	***1,862,000***	***1,862,002***	***1,862,002***	***1,862,002***	***1,828,752***
Total Costs - 23P-1 MTCA-Op	*1,075,396*	*931,000*				
Total Costs - NEW-1 Climate Investment Account		*931,000*	*1,862,002*	*1,862,002*	*1,862,002*	*1,828,752*
Total FTEs	*2.0*	*8.9*	*8.9*	*8.9*	*8.9*	*8.9*
Total Staff costs	*272,146*	*1,058,750*	*1,058,752*	*1,058,752*	*1,058,752*	*1,058,752*
Professional Services Contracts	*770,000*	*770,000*	*770,000*	*770,000*	*770,000*	*770,000*
SAO Services	*33,250*	*33,250*	*33,250*	*33,250*	*33,250*	
Compliance and Market Oversight - Sections 10 and 20	***158,145***	***158,146***	***158,145***	***158,145***	***158,145***	***158,145***
Total Costs - 23P-1 MTCA-Op	*158,145*	*79,073*				
Total Costs - NEW-1 Climate Investment Account		*79,073*	*158,145*	*158,145*	*158,145*	*158,145*
Total FTEs	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*	*1.2*
Total Staff costs	*158,145*	*158,146*	*158,145*	*158,145*	*158,145*	*158,145*
Professional Services Contracts						
AAG Support for Rulemaking						
Allowance Trading and Tracking Systems & Confidentiality - Section 10	***1,178,368***	***1,019,097***	***636,847***	***324,268***	***201,264***	***201,264***
Total Costs - 23P-1 MTCA-Op	*1,178,368*	*595,354*				
Total Costs - NEW-1 Climate Investment Account		*423,743*	*636,847*	*324,268*	*201,264*	*201,264*
Total FTEs	*4.9*	*4.7*	*3.7*	*1.7*	*1.2*	*1.1*
Total Staff costs	*801,526*	*779,917*	*568,727*	*277,708*	*176,264*	*176,264*
Professional Services Contracts	*376,842*	*239,180*	*68,120*	*46,560*	*25,000*	*25,000*

Implementing E2SSB 5126, The Climate Commitment Act: Department of Ecology Fiscal Estimates Expenditure Overview

OPERATING BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Identify and Implement Criteria and Allocations for EITE - Section 12	**885,159**	**547,726**	**78,708**	**215,306**	**215,306**	**126,142**
Total Costs - 23P-1 MTCA-Op	885,159	443,422				
Total Costs - NEW-1 Climate Investment Account		104,304	78,708	215,306	215,306	126,142
Total FTEs	5.5	3.7	0.5	1.7	1.7	0.9
Total Staff costs	761,959	493,326	78,708	215,306	215,306	126,142
Professional Services Contracts	117,200	52,400				
Meeting costs	6,000	2,000				
Identify and Implement Allocations for Electricity Suppliers and Natural Gas Utilities - Sections 13 and 14	**402,023**	**509,223**		**632,299**	**632,299**	**262,512**
Total Costs - 23P-1 MTCA-Op	402,023	228,377				
Total Costs - NEW-1 Climate Investment Account		280,846		632,299	632,299	262,512
Total FTEs	2.8	3.5		4.4	4.4	1.9
Total Staff costs	400,023	507,224		627,299	627,299	260,512
Professional Services Contracts						
Meeting costs	2,000	2,000		5,000	5,000	2,000
Price Ceiling Units - Section 17	**982,488**	**509,287**	**77,668**	**77,668**	**77,668**	**77,668**
Total Costs - 23P-1 MTCA-Op	982,488	408,761				
Total Costs - NEW-1 Climate Investment Account		100,526	77,668	77,668	77,668	77,668
Total FTEs	6.2	2.9	0.6	0.6	0.6	0.6
Total Staff costs	930,686	476,946	77,668	77,668	77,668	77,668
Professional Services Contracts	51,802	32,340				
Meeting costs						
Offset Protocols - Section 18	**727,738**	**699,200**	**417,218**	**299,190**	**299,190**	**532,489**
Total Costs - 23P-1 MTCA-Op	727,738	351,998				
Total Costs - NEW-1 Climate Investment Account		347,202	417,218	299,190	299,190	532,489
Total FTEs	4.1	3.9	3.0	2.1	2.1	3.4
Total Staff costs	564,238	535,700	416,218	299,190	299,190	452,239
Professional Services Contracts	160,500	160,500				80,250
Meeting costs	3,000	3,000	1,000			
Assistance for Offset Projects - Section 19	**336,840**	**5,273,594**	**2,651,579**	**2,651,579**	**2,651,579**	**2,651,579**
Total Costs - 23P-1 MTCA-Op	336,840	2,697,804				
Total Costs - NEW-1 Climate Investment Account		2,575,790	2,651,579	2,651,579	2,651,579	2,651,579
Total FTEs	2.3	2.0	1.2	1.2	1.2	1.2
Total Staff costs	307,340	265,094	144,079	144,079	144,079	144,079
Grants		5,000,000	2,500,000	2,500,000	2,500,000	2,500,000
Grant System Maintenance Costs	29,500	8,500	7,500	7,500	7,500	7,500
Meeting costs						

Implementing E2SSB 5126, The Climate Commitment Act: Department of Ecology Fiscal Estimates Expenditure Overview

OPERATING BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Climate Investment Account - Section 24						
Total Costs - NEW-1 Climate Investment Account		Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Total FTEs		Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Total Staff costs		Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate
Grants		Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GHG Reporting Changes – Sections 17, 14, 22, and 25, total costs of components below	**1,226,309**	**1,219,110**	**2,064,336**	**1,805,627**	**1,291,984**	**1,281,204**
Total Costs - 23P-1 MTCA-Op	1,226,309	609,555				
Total Costs - 216-1 APCA					1,291,984	1,281,204
Total Costs - NEW-1 Climate Investment Account		609,555	2,064,336	1,805,627		
Total FTEs	8.5	8.5	11.8	11.1	8.1	8.1
Total Staff costs	1,226,309	1,219,110	1,801,144	1,650,727	1,248,864	1,248,864
Professional Services Contracts			263,192	154,900	43,120	32,340
GHG Reporting Changes – Rulemaking	***100,579***	***100,580***	***106,579***	***154,049***		
Total Costs - 23P-1 MTCA-Op	*100,579*	*50,290*				
Total Costs - 216-1 APCA						
Total Costs - NEW-1 Climate Investment Account		*50,290*	*106,579*	*154,049*		
Total FTEs	*0.9*	*0.9*	*0.9*	*1.3*		
Total Staff costs	*100,579*	*100,580*	*100,579*	*153,049*		
Meeting costs			*6,000*	*1,000*		
GHG Reporting Changes – Align GGRT with California's System			***839,232***	***533,053***	***422,273***	***411,493***
Total Costs - 23P-1 MTCA-Op						
Total Costs - 216-1 APCA					*422,273*	*411,493*
Total Costs - NEW-1 Climate Investment Account			*839,232*	*533,053*		
Total FTEs			*3.5*	*2.3*	*2.3*	*2.3*
Total Staff costs			*582,040*	*379,153*	*379,153*	*379,153*
Professional Services Contracts			*257,192*	*153,900*	*43,120*	*32,340*
GHG Reporting Changes – Reassemble Data, Collect and Verify Data, and Provide Support for New Reporters	***1,125,730***	***1,118,530***	***1,118,525***	***1,118,525***	***869,711***	***869,711***
Total Costs - 23P-1 MTCA-Op	*1,125,730*	*559,265*				
Total Costs - 216-1 APCA					*869,711*	*869,711*
Total Costs - NEW-1 Climate Investment Account		*559,265*	*1,118,525*	*1,118,525*		
Total FTEs	*7.6*	*7.6*	*7.5*	*7.5*	*5.8*	*5.8*
Total Staff costs	*1,125,730*	*1,118,530*	*1,118,525*	*1,118,525*	*869,711*	*869,711*

Implementing E2SSB 5126, The Climate Commitment Act: Department of Ecology Fiscal Estimates Expenditure Overview

OPERATING BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GHG Lifecycle Emissions Analysis - Section 26			**851,991**	**650,061**		
Total Costs - 23P-1 MTCA-Op						
Total Costs - NEW-1 Climate Investment Account			851,991	650,061		
Total FTEs			4.1	4.7		
Total Staff costs			595,391	647,861		
Professional Services Contracts			253,600	1,200		
Meeting costs			3,000	1,000		
ECOLOGY TOTAL OPERATING FTEs	**52.5**	**52.5**	**43.4**	**54.3**	**45.5**	**44.2**
ECOLOGY TOTAL OPERATING EXPENDITURES	**9,331,203**	**13,960,209**	**10,113,337**	**11,145,465**	**9,743,502**	**9,564,785**

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

CAPITAL BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Climate Investment Account Capital Projects - Section 24		**Indeterminate**	**Indeterminate**	**Indeterminate**	**Indeterminate**	**Indeterminate**
Total Costs - NEW-1 Climate Investment Account		Indeterminate	Indeterminate	Indeterminate	Indeterminate	Indeterminate

Fiscal Note Totals - Operating Summary by Account	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Total Costs - 23P-1 MTCA-Op	9,331,203	7,552,532				
Total Costs - 216-1 APCA					1,291,984	1,281,204
Total Costs - NEW-1 Climate Investment Account		6,407,677	10,113,337	11,145,465	8,451,518	8,283,581
Grand Total	***9,331,203***	***13,960,209***	***10,113,337***	***11,145,465***	***9,743,502***	***9,564,785***

Implementing E2SSB 5126, The Climate Commitment Act: Department of Ecology Fiscal Estimates Expenditure Overview

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

Fiscal Note Totals - Operating Summary by Cost Category	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Professional Services Contracts	1,688,344	1,347,295	1,366,912	984,660	850,120	919,590
AAG Support for Rulemaking (all sections)	97,000	97,000	97,000	97,000	59,000	59,000
Meeting costs	37,000	22,000	14,000	20,000	19,000	17,000
SAO Services	33,250	33,250	33,250	33,250	33,250	
Grants		5,000,000	2,500,000	2,500,000	2,500,000	2,500,000
Grant System Maintenance Costs	29,500	8,500	7,500	7,500	7,500	7,500
Total Staff costs	7,446,109	7,231,164	6,023,675	7,432,055	6,203,632	5,990,695
Supplies and Equipment		221,000	71,000	71,000	71,000	71,000
Grand Total	***9,331,203***	***13,960,209***	***10,113,337***	***11,145,465***	***9,743,502***	***9,564,785***

Fiscal Note Estimated Revenue	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
216-1 Air Pollution Control Account - Greenhouse Gas Reporting Revenue					1,291,984	1,281,204
NEW-1 Climate Investment Account - Carbon Market Revenue		101,020,158	102,957,188	94,630,430	100,914,180	111,775,115
NEW-1 Forward Flexible Account - Carbon Market Revenue		127,341,000	356,697,000	366,558,000	359,117,000	359,117,000
Grand Total		***228,361,158***	***459,654,188***	***461,188,430***	***461,323,164***	***472,173,319***

E2SSB 5126 Revenue Estimates for the Forward Flexible Account and Climate Investment Account

4/12/2021

	Price Containment Reserve:	Emissions Containment Reserve		Offset Allowances: 1st Compliance Period	2nd Compliance Period
Price Containment Reserve:	2%	2%	Offset Allowances:	8%	6%

	CY	Total Allowances (MT CO2e)[1, 7]	Price Containment Reserve[2]	Emissions Containment Reserve[2]	Free Allowances or Direct Allocations (MT CO2e)[3]: EITE	Electricity Utilities	NG Utilities	Net Priced Allowances	COVID-19 Overallocations (MT CO2e)[4]	OffSet Credit Allowances[5]	Estimated Allowances Purchased	Floor Price[6]	Estimated Containment Reserve Allowances Purchased at Previous Year's Containment Reserve Price (30%)[2]	Estimated Calendar Year Auction Revenue	Estimated Net Calendar Consigned Revenue for benefit of Electricity and Natural Gas Ratepayers (Sections 13/14)
First Compliance Period	2023	52,904,468	1,058,089	1,058,089	9,051,768	3,509,046	9,076,807	29,150,669	4,647,695	2,332,054	22,170,921	$ 20.60		$ 456,722,316	$ 121,538,800
	2024	49,440,351	988,807	988,807	8,459,069	3,279,278	8,482,469	27,241,921	4,098,085	2,179,354	20,964,482	$ 22.09	317,427	$ 462,586,060	$ 131,151,075
	2025	45,976,234	919,525	919,525	7,866,371	3,049,510	7,888,131	25,333,172	3,871,441	2,026,654	19,435,077	$ 23.68	296,642	$ 459,790,801	$ 140,105,731
	2026	42,512,117	850,242	850,242	7,273,673	2,819,742	7,293,794	23,424,424	3,414,466	1,873,954	18,136,003	$ 25.41	275,857	$ 460,271,559	$ 148,239,604
Second Compliance Period footnote 7	2027	56,860,391	1,137,208	1,137,208	6,680,975	17,691,048	6,699,456	23,514,496	4,429,426	1,410,870	17,674,201	$ 27.27	255,073	$ 481,512,671	$ 155,294,256
	2028	50,900,167	1,018,003	1,018,003	6,088,277	15,345,119	6,105,118	21,325,646	3,642,310	1,279,539	16,403,798	$ 29.28	341,162	$ 479,606,522	$ 160,878,243
	2029	44,939,943	898,799	898,799	5,495,579	12,999,190	5,510,781	19,136,797	2,971,642	1,148,208	15,016,947	$ 31.43	305,401	$ 471,359,769	$ 164,555,723
	2030	38,979,719	779,594	779,594	4,902,880	10,653,260	4,916,443	16,947,947	2,455,995	1,016,877	13,475,075	$ 33.73	269,640	$ 453,911,961	$ 165,838,026
	2031	38,000,094	760,002	760,002	4,677,555	10,163,661	4,690,494	16,948,379	2,390,206	1,016,903	13,541,271	$ 36.18	233,878	$ 489,404,059	$ 169,720,977
	2032	36,169,570	723,391	723,391	4,452,230	9,674,062	4,464,546	16,131,949	2,115,920	967,917	13,048,113	$ 38.81	228,001	$ 505,777,614	$ 173,261,749
	2033	34,339,047	686,781	686,781	4,226,905	9,184,462	4,238,598	15,315,520	1,857,742	918,931	12,538,846	$ 41.62	217,017	$ 521,243,211	$ 176,405,827
	2034	32,508,523	650,170	650,170	4,001,580	8,694,863	4,012,649	14,499,090	1,615,674	869,945	12,013,471	$ 44.64	206,034	$ 535,618,085	$ 179,110,792
2031-2040	2035	30,678,000	613,560	613,560	3,738,492	8,205,264	3,786,701	13,720,423	1,389,713	823,225	11,507,484	$ 47.87	195,051	$ 550,282,110	$ 181,285,952
	2036	28,847,476	576,950	576,950	3,479,911	7,715,664	3,560,752	12,937,249	1,179,862	776,235	10,981,152	$ 51.35	184,068	$ 563,191,159	$ 182,827,731
	2037	27,016,953	540,339	540,339	3,225,837	7,226,065	3,334,804	12,149,569	986,119	728,974	10,434,476	$ 55.07	173,085	$ 573,934,347	$ 183,632,206
	2038	25,186,429	503,729	503,729	2,976,268	6,736,466	3,108,856	11,357,382	808,484	681,443	9,867,455	$ 59.06	162,102	$ 582,088,821	$ 183,597,634
	2039	23,355,906	467,118	467,118	2,731,207	6,246,866	2,882,907	10,560,689	646,959	633,641	9,280,089	$ 63.34	151,119	$ 587,184,376	$ 182,613,095
	2040	21,525,382	430,508	430,508	2,490,652	5,757,267	2,656,959	9,759,489	501,541	585,569	8,672,379	$ 67.95	140,135	$ 588,623,993	$ 180,534,568
		39,030,636	2030 Emissions Target for Covered Entities												
		21,525,382	2040 Emissions Target for Covered Entities												

1 Total allowances are based on baseline GHG emissions data for 2015 through 2019 and the coverage requirements for the first compliance period. For the first compliance period, landfills and waste to energy plants, imported electricity, and certain fossil fuels meeting criteria specified in section 9 are exempt from participation. Allowances decrease by 6.1% of the base emissions value each year for entities participating in the first compliance period and these entities maintain this reduction pathway of 6.1% of base emissions each year through the 2030 compliance year; The entities entering the program in the second compliance period are assumed to maintain business as usual emissions until the start of the second compliance period in CY 2027, and then have a reduction pathway of 12.3% of baseline emissions each year during the second compliance period. From 2030 through 2040, the reduction pathway is 4.6% of 2030 allowances each year through 2040 for _all_ covered entities; the slope for this period was adjusted to account for the delay in landfill allowance budgets, which increased the reduction target during this period.

2 A minimum of 2% allowances are to be placed in a price containment reserve to provide lower cost allowances in future years - this estimate assumes that 2% of total allowances would be held in the containment reserve to be available at the current floor price in future years. This estimate assumes that 30% of the previous year's containment reserve allowances will be purchased in the following year. The containment reserve allowances are subtracted from the net purchased allowances. A minimum of 2% of allowances would be placed in the emissions containment reserve for the first compliance period, per section 15.

3 Sections 12, 13, and 14 specify requirements regarding allocations of no-cost allowances for EITE, electricity utilities, and natural gas utilities. These no-cost allowances are subtracted from the total allowances for the calendar year. EITE no-cost allowance allocations are estimated according to the specific requirements of sections 12 (3) (a) and 12 (4) (a); for purposes of this fiscal note, the percentage of allowance budgets for the no cost allocations is assumed to decrease by 1% each year, starting in CY 2035.
Section 12 would provide for a carbon intensity (CI) benchmarking pathway for EITE allowance allocations; because the allocations would be based on the benchmark calculations based on consultation with industries and rulemaking, impacts to allowance budgets and no-cost allocations from CI calculations would be indeterminate and are not considered in this revenue estimate.
Electricity allocations of no-cost allowances would be determined by rulemaking in consultation with Department of Commerce and the Utilities and Transportation Commission. For purposes of this fiscal note, the allocations provided free of charge to electricity utilities to be consigned to auction to benefit rate-paying customers is assumed to be 100% of electricity utilities' compliance obligations for each year, beginning in CY 2023.
Natural Gas Utility allocations of no-cost allowances would be determined by rulemaking in consultation with the Utilities and Transportation Commission. For purposes of this fiscal note, the allocations provided free of charge to electricity utilities to be consigned to auction to benefit rate-paying customers is assumed to be 100% of electricity utilities' compliance obligations for each year, beginning in CY 2023.

4 Based on study published by the Rhodium Group, revenue estimates include an adjustment for potential over-allocation impacts related to the COVID-19 pandemic. The overallocations are calculated by multiplying the total allowances for the year by an overallocation factor (estimated to be 9% in 2023 and decreasing to 6% by 2030, and 2% in 2040). The estimated over-allocations are removed from the net purchased allowances.

5 Section 18 would provide for regulated entities to meet up to 5% of compliance obligations with offset credits in the first compliance period, and up to 4% of compliance obligations in the second compliance period, and ongoing, for offset projects; entites can apply offset projects on federally recognized tribal land to meet an additional 3% of compliance obligations in the first compliance period and 2% of obligations in the second compliance period. Revenue estimates assume maximum usage of offset credits - offset credits are removed from the net priced allowances.

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

7 The second compliance period will add compliance obligations for certain transportation fuels, imported electricity, and waste to energy facilities. Landfills will have delayed entry until CY 2031. The baseline allowances for these entities are based on estimated CO2e emissions from the statewide emissions inventory and known GHG baselines.

** For 2030 through 2040, all covered entities are assumed to have allowances reduce each year by 4.5% of the 2030 allowance budget. All other factors remain as described above. _The revenue estimates for 2030 through 2040 do not take into account changes in emissions and demand for allowances resulting from the Clean Energy Transformation Act of 2019._

E2SSB 5126, Fiscal Year Revenue Estimates for the Forward Flexible Account, Climate Investment Account, and Consigned Revenue for the Benefit of Natural Gas and Electricity Rate Payers

Fiscal Year	Estimated Fiscal Year Auction Revenue	Forward Flexible Account Revenue[8]	Climate Investment Account Revenue [8]	Estimated Fiscal Year Consigned Revenue for Sections 13 & 14 (not designated for a state account)[9]
2022				
2023	$ 228,361,158	$ 127,341,000	$ 101,020,158	$ 60,769,400
2024	$ 459,654,188	$ 356,697,000	$ 102,957,188	$ 126,344,938
2025	$ 461,188,430	$ 366,558,000	$ 94,630,430	$ 135,628,403
2026	$ 460,031,180	$ 359,117,000	$ 100,914,180	$ 144,172,667
2027	$ 470,892,115	$ 359,117,000	$ 111,775,115	$ 151,766,930
2028	$ 480,559,597	$ 359,117,000	$ 121,442,597	$ 158,086,250
2029	$ 475,483,145	$ 359,117,000	$ 116,366,145	$ 162,716,983
2030	$ 462,635,865	$ 359,117,000	$ 103,518,865	$ 165,196,874
2031	$ 471,658,010	$ 359,117,000	$ 112,541,010	$ 167,779,501
2032	$ 497,590,836	$ 359,117,000	$ 138,473,836	$ 171,491,363
2033	$ 513,510,413	$ 359,117,000	$ 154,393,413	$ 174,833,788
2034	$ 528,430,648	$ 359,117,000	$ 169,313,648	$ 177,758,310
2035	$ 542,950,098	$ 359,117,000	$ 183,833,098	$ 180,198,372
2036	$ 556,736,635	$ 359,117,000	$ 197,619,635	$ 182,056,841
2037	$ 568,562,753	$ 359,117,000	$ 209,445,753	$ 183,229,969
2038	$ 578,011,584	$ 289,005,792	$ 289,005,792	$ 183,614,920
2039	$ 584,636,599	$ 292,318,299	$ 292,318,300	$ 183,105,364
2040	$ 587,904,185	$ 293,952,092	$ 293,952,093	$ 181,573,831

8 Section 11: for fiscal year 2022 through 2037, specified dollar amounts would be deposited in the Forward Flexible Account, not to exceed $5,200,000,000 dollars over sixteen years, and the remaining proceeds would be deposited via wire transfer into the Climate Investment Account created in section 24.

For fiscal year 2038 and each fiscal year thereafter, fifty percent of auction proceeds would be deposited in the Forward Flexible Account, and the remaining auction proceeds would be deposited in the Climate Investment Account.

9 Sections 13 and 14 describe requirements for no-cost allowances for electricity and natural gas to be consigned to auction for the benefit of rate payers. Section 14 specifies specific percentages that would be required for consignment. If not specified, estimates assume that no-cost allowances would be used to meet compliance obligations. Section 13 would require rulemaking to determine consignment requirements for the second compliance period. Because the requirements would be set in rule, revenue estimates assume no minimum requirements in the second period and beyond. Estimated Revenue earned from consigned auctions is shown here - this revenue would go to electricity and natural gas entities to benefit rate payers as specified in sections 13 and 14. This revenue would not be deposited in a state account and is thus not included in the fiscal note tables.

Individual State Agency Fiscal Note

Bill Number: 5126 E 2S SB	Title: Climate commitment act	Agency: 468-Environmental and Land Use Hearings Office

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

		FY 2022	FY 2023	2021-23	2023-25	2025-27
Account						
General Fund-State	001-1	0	0	0	145,800	145,800
	Total $	0	0	0	145,800	145,800

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:	Nikkole Hughes	Phone: 360-786-7156	Date: 04/10/2021
Agency Preparation:	Nina Carter	Phone: 360 664-9171	Date: 04/13/2021
Agency Approval:	Nina Carter	Phone: 360 664-9171	Date: 04/13/2021
OFM Review:	Lisa Borkowski	Phone: (360) 902-0573	Date: 04/14/2021

Part II: Narrative Explanation

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

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

Brief Summary of Engrossed Second Substitute Bill 5126

Establishes a cap and invest program for greenhouse gas emissions to be implemented by the Department of Ecology.

Directs distribution of auction revenues for the Forward Flexible Account and for specified purposes including clean transportation, natural climate resiliency, clean energy transition and assistance, and energy efficiency projects.

Requires an environmental justice review to ensure that the cap and invest program achieves reduction sin criteria pollutants in overburdened communities highly impacted by air pollution.

Convenes an Environmental Justice and Equity Advisory Panel to provide recommendations on the development and implementation of the cap and invest program.

Directs that compliance obligations for covered and opt-in entities will not take effect until a separate additive transportation funding act is enacted.

Compliance actions with fiscal impact to Pollution Control Hearings Board: The first compliance period is January 1, 2023, through December 31, 2026. The second compliance period is January 1, 2027, through December 31, 2030. For compliance and then enforcement purposes, the PCHB assumes it will begin receiving appeals by FY24.

FISCAL IMPACT: YES

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.

ELUHO assumes it would contract as needed with administrative appeals judges experienced in environmental law. RCW 43.21B.005(2) authorizes the ELUHO director to appoint such judges to assist the PCHB. Contracting for these services allows the agency the flexibility to hire AAJ at the time of appeals resulting from 5126.

ELUHO assume the PCHB will receive at least 6 appeals resulting from 5126. This assumption is based on ELUHO's experience with parties who are interested in testing new law or state regulations with "cases of first impression ;" legal questions never raised before in prior courts.

ELUHO assumes that contracted AAJs will be experienced and qualified in environmental law and their primary duties will be preparing pre-trial case materials, assemble or mediated between parties to a case, draft bench memos or other duties to assist the PCHB.

ELUHO assumes the average appeal requires approximately 54 hours (24 hours pre-trial work and 30 hours hearing and post-hearing work). This assumption is based on current work analysis at the PCHB.
ELUH) assumes a $225/hour rate for a contracted attorney.

$225/hour x 54 hours = $12,150 per 5126 appeal x 6 appeals per year = $ 72,900 per year.

ELUHO assumes this contract work on 5126 appeals do not take effect until a separate additive transportation funding act is enacted.

Compliance actions with fiscal impact to Pollution Control Hearings Board: The first compliance period is January 1, 2023, through December 31, 2026. The second compliance period is January 1, 2027, through December 31, 2030. For compliance and then enforcement purposes, the PCHB assumes it will begin receiving appeals by FY24.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	0	0	0	145,800	145,800
		Total $	0	0	0	145,800	145,800

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				145,800	145,800
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	0	0	145,800	145,800

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

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5126 E 2S SB	**Title:** Climate commitment act

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

Legislation Impacts:

[X] Cities: Municipal electric producers/suppliers and municipal landfills emitting more than 25 ,000 metric tons of carbon dioxide equivalent annually would have to comply with the provisions of the Department of Ecology's (Ecology) Cap on Greenhouse Gas Emissions program.

[X] Counties: Publically-owned electric producers/suppliers and county landfills emitting more than 25 ,000 metric tons of carbon dioxide equivalent annually would have to comply with the provisions of Ecology's Cap on Greenhouse Gas Emissions program.

[X] Special Districts: Air Pollution Control Authorities may be involved in developing stricter air quality standards , emissions standards, or emissions limitations on criteria pollutants that impact overburdened communities .

[X] Specific jurisdictions only: Public utility districts emitting more than 25 ,000 metric tons of carbon dioxide equivalent annually would have to comply with the provisions of Ecology's Cap on Greenhouse Gas Emissions program . Air pollution control authorities may be involved in rule making with Ecology to curb emissions within their jurisdictions.

[X] Variance occurs due to: Covered entities have varying amounts of carbon dioxide equivalent emissions that exceed the 25 ,000 metric ton threshold and the costs associated with limiting these emissions may also have considerable variance .

Part II: Estimates

[ ] No fiscal impacts.

[ ] Expenditures represent one-time costs:

[X] Legislation provides local option: Other greenhouse gas emitters may opt-in to Ecology's Cap on Greenhouse Gas Emissions program but would not receive an allocation of allowances outlined in Sec . 12 through 14 of this legislation.

[X] Key variables cannot be estimated with certainty at this time: The number of local governments that would opt-in to the Cap on GHG Emissions Program; different tier prices in the annual allowance price containment reserve auctions (through the emissions containment reserve withholdings); allocation of allowances set by the Department of Ecology and the Department of Commerce for electricity utilities that would benefit ratepayers of the utility; costs of offset projects for covered entity's compliance obligations in the different compliance periods.

Estimated revenue impacts to:

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

Estimated expenditure impacts to:

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

Part III: Preparation and Approval

Fiscal Note Analyst: Jordan Laramie	Phone: 360-725-5044	Date: 04/13/2021
Leg. Committee Contact: Nikkole Hughes	Phone: 360-786-7156	Date: 04/10/2021
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 04/13/2021
OFM Review: Lisa Borkowski	Phone: (360) 902-0573	Date: 04/14/2021

Part IV: Analysis

A. SUMMARY OF BILL

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

CHANGES FROM PRIOR BILL:
Sec. 3: Environmental Justice Review
(2)(c) The Department of Ecology (Ecology) and local Air Pollution Control Authorities may not impose requirements on covered or opt-in entities that are disproportionate to their contribution to air pollution compared to other sources of criteria pollutants in the overburdened communities.

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

To accomplish these goals, the CCA would set declining and enforceable carbon dioxide equivalent emissions thresholds that phase out statewide pollution over time. Pollution reductions are separated into different compliance periods for emitters in Washington's economy that produce the largest share of the pollutants. These sectors are: emissions-intensive, trade-exposed industries; fossil fuel and natural gas producers and distributors; electricity producers, suppliers, and deliverers, and municipal and county landfills.

A fundamental part of the CCA would be the integrating climate policy and goals with environmental justice in the form of reviews, assessments, and coordination between affected overburdened communities and vulnerable populations, Ecology, Air Pollution Control Authorities, and all levels of state government.

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

In 2019, Ecology's GHG Reporting Program listed 123 entities in Washington State who reported emissions greater than 25,000 mtCO2e with a total of 66.159 million mtCO2e between all reported sources with greater than 25,000 mtCO2e. The 123 entities represent 98.76% of all emissions reported to Ecology's GHG Reporting Program. Of this total:
46.82% (31,366,556 mtCO2e) of these emission were from transportation fuel supplier sources;
21.95% (14,709,225 mtCO2e) was from coal, natural gas, and other power plant sources;
9.86% (6,607,202 mtCO2e) was from petroleum refineries;
2.05% (1,376,857 mtCO2e) was from municipal landfills and solid waste combustion sources, and
0.94% (629,045 mtCO2e) was from natural gas system (transmission/distribution) sources.
The remaining contributing sources were from chemical, food production, government, metal, mineral, pulp and paper, and wood product sources.

B. SUMMARY OF EXPENDITURE IMPACTS

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

CHANGES FROM PRIOR BILL:
This legislation puts a limit on the actions taken by the Department of Ecology (Ecology) and local Air Pollution Control Authorities (APCAs) to curb pollution in overburdened communities. The requirements of these actions cannot be disproportionate to a covered or opt-in entity's contribution to air pollution compared to other sources of criteria pollutants in overburdened communities. However, these changes do not change the prior bill's indeterminate expenditure impact, as the total impact would vary by local government, what type of entity is emitting pollution, when the covered entity must comply with Ecology's Cap on Greenhouse Gas (GHG) Emissions Program, and the covered entity's annual metric tons of carbon dioxide emissions (mtCO2e).

SUMMARY OF CURRENT BILL:
This legislation would have indeterminate, and potentially significant, local government expenditure impacts on municipal and quasi-municipal utilities, municipal and county landfills, and potentially several types of special purpose districts. In total, there are two

public utility districts (PUDs) and one municipal utility that are considered covered entities in the first compliance period per Sec 9 (1). There may be up to nine municipal- or county-owned landfills that this legislation would affect in the third compliance period per Sec . 9(3), but these entities would have to sustain their current emissions levels until calendar years 2027 to 2029 . This legislation may also affect up to seven APCAs depending on the scope of GHG emissions reductions in overburdened communities that may be necessary per Sec. 3(3)(a) and Sec. 17(3)(b)(ii). Solid Waste Disposal Districts may also be impacted by the provisions of this legislation as they relate to emissions management of landfills within their jurisdictions during the compliance period starting in 2031 .

COVERED ENTITIES IN THE CAP ON GHG EMISSIONS PROGRAM:
Compliance Period One (CY23-26):
Covered entities include first jurisdictional deliverers and generators of electricity that have qualifying reported emissions any year between 2015 and 2019. Per Sec. 9(1)(b), there are three local governments that are first jurisdictional deliverers and generators of electricity meeting the emissions thresholds:
There is one local government meeting the emissions threshold in electricity generated by natural gas turbine plants:
Clark County Utilities; River Road Generating Plant – Vancouver

There are two local governments meeting the emissions threshold in electricity generated from other power plants sources:
Public Utility District No. 1 Klickitat County; H.W. Hill Landfill Gas Power Plant – Roosevelt
Seattle Steam Company LLC; Western Avenue Steam Plant – Seattle

Compliance Period Three (CY31-CY34):
The total number of affected landfills or solid waste management program is indeterminate . Between 2015 and 2019 there were two municipal- and seven county-landfills that emitted more than 25 ,000 mtCO2e, however, the number of qualifying landfills may change during the compliance timeline for the third compliance period . Qualifying covered entities in this compliance period include landfill facilities that have reported qualifying emissions any year between 2027 and 2029 . Sec. 9(3) specifies that a person who operates a landfill or waste to energy facility utilized by a county and city solid waste management program , where the facility's emissions equal or exceed 25,000 mtCO2e, is considered a covered entity.

Current Land Fills and Solid Waste Facilities Meeting Emissions Thresholds:
Municipal:
City of Richland; Horn Rapids Sanitary Landfill - Richland
City of Tacoma; City of Tacoma Solid Waste Facility – Tacoma

County:
Cowlitz County; Cowlitz County Headquarters Landfill - Castle Rock
Grant County; Grant County Landfill 1 - Ephrata
King County Solid Waste Division; King County Solid Waste Cedar Hills Landfill - Maple Valley
Okanogan County; Okanogan County Central Landfill - Okanogan
Snohomish County; Cathcart Landfill - Snohomish
Yakima County Public Services - Solid Waste Division; Cheyne Landfill – Zillah , and Terrace Heights Landfill - Yakima

COMPLIANCE INSTRUMENTS REQUIRED FOR COVERED ENTITIES EMITTING GHGS:
Costs to Electricity Suppliers/Producers:
These costs are indeterminate as they would depend on the number of electric utilities and the amount of allowances they may consign to auction in the first compliance period, which currently unknown. Also unknown are the amount of allowances that must be consigned to auction in the second compliance period, which is pending rule making by Ecology.

These costs would be dependent on rules established by Ecology and the amount of allowances provided to electric utilities subject to the requirements of RCW 19.405 (Washington Clean Energy Transformation Act (CETA)). In their fiscal note for S SB5126, Ecology assumes that all electricity utilities and providers supplying electricity to ratepayers would receive no-cost allowance equal to their allowance budgets for each year of program coverage. Sec. 13(2)(d) states that these allowance allocations end in 2045.

The compliance obligations of these entities is equal to their covered emissions for each calendar year , per Sec. 20(1). Additionally, for the first compliance period, no-cost allowances may be consigned for auction to benefit ratepayers, but in the second compliance period, a certain portion of these no-cost allowances must be consigned to auction to benefit ratepayers . If an electric utility sells their allowances at auction to benefit ratepayers, the covered entity would have costs that would depend on the dollar value of offsetting compliance projects constructed with environmental benefits to the state or within the jurisdiction that has entered into a linkage agreement with Ecology, if applicable, per Sec. 21.

Costs to Landfills and Solid Waste Facilities:
Costs to these covered entities is indeterminate and would depend on either the dollar value of offsetting compliance projects constructed , or the dollar value of offsetting credits purchased at auction, which would be necessary to meet the covered entity's compliance obligations. Compliance measure costs will vary greatly between affected covered entities and depend on their annual mtCO2e emissions , as the baseline emissions for landfills range from 25,764 mtCO2e to 228,580 mtCO2e at these facilities. Ecology anticipate that the offset provisions in Sec. 18, where at least 75% of a covered entity's compliance obligations would come through offset projects and 4 % from offsetting credits, would hold for future compliance periods starting CY31.

COSTS TO APPLY FOR GRANT FUNDING THROUGH AGENCIES USING THE CLIMATE INVESTMENT ACCOUNT:
There are indeterminate costs for affected local government covered entities , or local government opt-in participants, to apply for grant funding to pay for projects or activities that reduce and mitigate the impact from GHG and co-pollutants in overburdened communities per Sec. 23(2)(c) and to inform the analysis, monitoring, and pollution reduction measures that are required in Sec. 3 Environmental Justice Review. According to the 2021 Local Government Fiscal Note Unit Cost Model, applications for state grant or loan programs have costs ranging from $10,000 to $20,000 for each application. However, the number of funding applications submitted by local governments for the purposes of this program are unknown at this time.

AIR POLLUTION CONTROL AUTHORITIES INVOLVMENT WITH ENVIRONMENTAL JUSTICE REVIEW:
There are indeterminate costs for APCAs to assist Ecology with the Environmental Justice Review (EJR) that are published on a biennial basis, starting in 2025. Whether or not an overburdened community meets increased air quality standards over the duration of the Cap on GHG Emissions Program is not known at this time. APCAs may assist Ecology in developing and enforcing stricter air quality standards , emissions standards, or emissions limitations on criteria pollutants. However, the local and number of staff that may be required to provide assistance would depend on the findings of the biennial EJRs. There are seven APCAs, with coverage across Washington State.

LOCAL GOVERNMENT CONSULTATION WITH ECOLOGY'S ENVIRONMENTAL JUSTICE ASSESSMENT:
The scope of local government involvement for the purposes of the Environmental Justice Review is currently unknown and would like vary widely by jurisdiction. Sec. 3(4)(a) includes a provision for the Ecology to implement a community engagement plan to meet with overburdened communities and vulnerable populations. There may be an element of local government assistance required to implement Ecology's community engagement plan. The Department of Health (DOH) Health Disparities Mapping tool describes where these impacted communities might be located, with the majority in urban areas along the I-5 corridor (from Everett to Vancouver) as well as the, Yakima, the Tri-cities, and the greater Spokane metropolitan area.

ENFORCEMENT PENALTIES:
For the purposes of this fiscal note, Ecology assumes the use of orders and the threat of penalties to be sufficient to achieve compliance . By extension, the Local Government Fiscal Note Program assumes no penalties would be assessed by local governments per Sec . 20 of this act.

OPT-IN PROVISION:
Sec. 8 states that emitters of carbon dioxide, and its equivalents, may opt-in to the provisions of this legislation if they choose enter into the Cap on GHG Emissions Program created by Ecology. Opt-in participants to this legislation would not be provided with an allocation of allowances through rules established by Sec. 12, 13, and 14 of this act.

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.

NO CHANGE FROM PRIOR BILL:
Local governments may experience indeterminate increases in revenues from program funds through the allocation of allowances in Sec . 14 and the CIA in Sec. 23. While local governments may receive grants from the CIA the funding allocations are indeterminate at this time. The local government impact on electricity deliverers and generators, which would be depend on the allocation of allowances set by Ecology and Commerce for the electricity utilities, is currently unknown for the affected local governments.

ALLOWANCE ALLOCATIONS FOR ELECTRIC UTILITIES
There are two public utility districts and one municipal utility this legislation affects as covered entities . The revenue created by the allocation of allowances in Sec. 13, through sales of the allowances at auction to benefit ratepayers, is not yet known. The Department of Ecology (Ecology), in their fiscal note for S SB5126, assume that all electricity utilities and providers supplying electricity to ratepayers

would receive no-cost allowance equal to their allowance budgets for each year of program coverage . For the first compliance period beginning in CY2023 public electric utilities may consign allowances to auction , but in the second compliance period starting CY2027 , these electric utilities must consign a certain amount of allowances to auction . The Ecology's rules for the amount of allowance consignment in the second compliance period would not be determined until October 1 , 2026.

GRANT AND FUNDING ALLOCATIONS FROM THE CLIMATE INVESTMENT ACCOUNT:
The impact of the CIA on local governments still indeterminate since the account itself is still the same . There are changes with how the allocations and program distributions made from the account can be distributed per Sec . 4(1) in the Environmental Justice Assessment, which would target certain amounts of funding to overburdened communities identified in Sec . 3, with meaningful environmental benefit to those areas. The CIA now includes provisions for (2)(a) grant funds to be used for community participation in decision making; (2)(c) Allows for grants to be used for projects that mitigate impacts on overburdened communities; (2)(i) Funds can go to bill assistance and energy efficiency programs for low-income and rural residents of Washington State; (2)(g)(vii): CIA funds may go to projects that reduce emissions from landfills, through diversion of organic materials, methane capture or conversion strategies, or other means.

Sources:
Data.WA.gov, Greenhouse Gas Reporting Program Publication 2021
Department of Ecology
Department of Ecology, Facility Greenhouse Gas Reports 2020
Department of Ecology, SB 5981 (2019)
Department of Ecology, SSB 5126 (2021)
Department of Revenue, 2SSB 5126 (2021)
Local Government Fiscal Note Program, SB 5981, 2019
Local Government Fiscal Note Program, Unit Cost Model 2021
MRSC, Special Purpose Districts
National Conference of State Legislatures, "Greenhouse Gas Emissions Reduction Targets and Market-Based Policies"
Washington Public Utility Districts Association, PUD Electric Utility Map
Washington State Association of Counties
University of Washington, DEOHS, Washington Environmental Health Disparities Map Project
Utilities and Transportation Commission, Energy