

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5543 SB	<b>Title:</b> AN ACT Relating to zero-emission landscaping equipment incentive program.	<b>Agency:</b> 461-Department of Ecology
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## 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	0.4	1.0	0.7	3.2	2.4
<b>Account</b>					
General Fund-State 001-1	54,801	138,771	193,572	1,449,874	0
Zero-Emission Landscaping Equipment Incentive Account-Non-Appropriated NEW-6	0	0	0	1,365,902	2,625,754
<b>Total \$</b>	54,801	138,771	193,572	2,815,776	2,625,754

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.

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Agency Approval: Erik Fairchild	Phone: 360-407-7005	Date: 01/10/2022
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## 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.*

Under Chapter 70A.15 RCW, the Washington Clean Air Act, the Department of Ecology (Ecology) and local clean air agencies have authority to establish, implement, and enforce standards to control and prevent air pollution. This bill would add new sections to Chapter 70A.15 RCW to create a zero-emission landscaping equipment incentive program known as the cash for lawn clunkers act intended to reduce air pollutants by accelerating the phase out of gasoline-powered and diesel-powered landscape equipment. There is no current financial incentive program related to landscaping equipment.

Section 2(1) would establish a zero-emission landscaping equipment incentive and exchange pilot program in order to help residents and professional landscapers make the switch from gasoline powered or diesel-powered landscaping equipment to new all-electric landscaping equipment.

Section 2(3) would require the program to be administered by Ecology and would allow Ecology to coordinate with local clean air agencies and regional Ecology offices, in areas where a local clean air agency does not exist, to administer the program.

Section 2(4) would require that incentives be offered in the form of a rebate and go towards the replacement of gasoline-powered or diesel-powered landscaping equipment with new all-electric landscaping equipment. The award may comprise of \$100 for any equipment with a purchase price of up to \$300 and \$200 for any equipment with a purchase price over \$300.

Section 2(5) would identify eligible recipients to include a maximum of one award per residential applicant and operators and a maximum of three awards per business applicant.

Section 2(6) through 2(9) would identify eligibility requirements.

Section 2(10) would require Ecology to establish and publish an approved list of retailers where purchases of new all-electric equipment would be eligible for rebate awards.

Section 2(11) would require Ecology to track the effectiveness of the program by estimating emissions reductions resulting from the exchange of landscaping equipment. Legislative intent is provided for the program to continue if it is effective.

Section 3 would create the Zero-Emission Landscaping Equipment Incentive Account. The account may be used only for the purposes of section 2, and would be non-appropriated. Receipts from the Climate Commitment Account could be deposited into the account, and section 2 would be considered an eligible program for funding by the Climate Commitment Account.

Section 5 is an emergency clause and would make this act take effect immediately.

### II. B - Cash receipts Impact

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

### II. C - Expenditures

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

The expenditure impact to Ecology under this bill is estimated to be greater than \$50,000 in Fiscal Year (FY) 2023 and ongoing to implement the requirements of section 2.

The following fiscal impacts are indeterminate:

- There is an indeterminate fiscal impact for the rebates issued under section 2. For purposes of this fiscal note, Ecology has included a scenario in the expenditure tables of \$1,000,000 per year beginning in FY 2024 as described under program rebates below.
- Local air agencies currently maintain an indirect rate for pass thru funds received from Ecology for other programs they administer. As such, there may be additional administrative expenses required to create and implement the zero-emission landscape equipment program. These indeterminate costs are not included in the fiscal note impacts.

Assumptions:

- Ecology assumes it would be necessary to adopt new rules to establish criteria for a zero-emission landscaping equipment incentive program prior to implementation of the program. Ecology assumes that although express rulemaking authority is not included in the bill language, we would be authorized under general and implied agency rulemaking authority by RCW 34.05.322. The bill as currently written provides for overall outcomes, however, Ecology assumes rulemaking would be necessary as the bill does not provide enough specificity regarding the program's process, the requirements for proof of destruction, and the criteria for rebates to operate under guidance alone. In addition, the agency best practice is to adopt rules to govern large funding programs such as the cash for lawn clunkers act. While rulemaking would delay implementation, Ecology assumes that based on the emergency clause, we would begin the rulemaking immediately upon signature by the Governor in April 2022, and that the rulemaking process would be complete within 18 months, ending September 30, 2023.
- Ecology assumes the rebate program would begin October 1, 2023, once the rule is complete and there is a list of approved retailers.
- For purposes of this fiscal note, Ecology assumes the program would be effective, therefore implementation and rebates are estimated as ongoing per the intent in subsection 2 (11)(b).
- Under RCW 70A.65.250, the State Treasurer will begin distribution of funds to the Climate Commitment Account July 1, 2024. Therefore, expenditures from the new Zero-Emission Landscaping Equipment Incentive Account are estimated beginning in FY 2025 when funds would be available from the Climate Commitment Account. For purposes of this fiscal note, expenditures in FY 2023 and FY 2024 are estimated in General Fund-State.

Rulemaking

Ecology assumes that rulemaking to implement the "cash for lawn clunkers" pilot program under section 2 would follow our standard rulemaking process. The rulemaking process would be moderately complex and generate substantial public interest and input. Ecology assumes it would require eighteen months, from April 1, 2022 to October 1, 2023. The following positions would be required for rulemaking:

0.25 FTE Environmental Planner (EP) 3 in FY 2022, 0.5 FTE EP 3 in FY 2023, and 0.25 FTE EP 3 in FY 2024 – this position would be the rulemaking lead, coordinating the rulemaking effort.

0.10 FTE Environmental Engineer (EE) 4 in FY 2022, 0.25 FTE EE 4 in FY 2023, and 0.15 FTE EE 4 in FY 2024 – this position would be the technical lead, advising on rule language and driving the overall policy change of the program.

Standard rulemaking requires economic and regulatory analysis in the last six months of the rulemaking process. Due to the timing, the analysis would fall in the final three months of FY 2023 and the first three months of FY 2024: 0.1 FTE Economic Analyst 3 in each of FY 2023 and FY 2024; 0.025 FTE Regulatory Analyst 2 in each of FY 2023 and FY 2024.

Ecology would hold one public meeting in FY 2023 and one public hearing in FY 2024 for rulemaking. Goods and service estimates include facility rental costs estimated at \$1,000 per meeting.

## Program Implementation

Ecology would administer the rebate program created under section 2. Under such a program, a consumer would buy new electric equipment at full price from an approved retailer, scrap their gas-powered equipment at an approved facility, and then receive proof of destruction of the gas-powered equipment. Ecology assumes the consumer would then submit an application to Ecology, including proof of purchase and destruction. Ecology would confirm eligibility and then issue the consumer a rebate check. Ecology assumes coordination with local clean air agencies and regional offices, where a local clean air agency does not exist, to administer the program. For the purpose of the fiscal note, the zero-emission landscape incentive pilot program is assumed to be effective and therefore ongoing per subsection 2 (11)(b). At this time, Ecology assumes no IT costs. For the purpose of the pilot program, Ecology assumes that a customized online tracking and reporting portal would not be cost effective. If necessary in the future, Ecology may request IT costs to implement the program.

Ecology estimates the following positions to implement the program beginning in FY 2024.

1.0 FTE Environmental Planner 4 (EP4) in FY 2024 and each year following for the duration of the program, regardless of the amount of funding that is dispersed via rebates – the program lead would oversee program management, identify and continuously update the list of verified retailers, manage relationships with the local air agencies, track the effectiveness and estimate emissions reductions as required in section 2 (11), and other tasks as necessary for the administration of the program.

0.2 FTE Washington Management Service 2 (WMS2) in FY 2024 and each year following for the duration of the program – Ecology assumes the program would require the assistance and management of a Program Manager WMS2 to provide supervision, support and outreach for the program.

0.6 FTE Community Outreach and Environmental Education Specialist 4 (COEES4) in FY 2024 and each year following for the duration of the program - Ecology assumes that a COEES4 would develop and implement statewide public engagement and education for the new program within each of the regional offices. The COEES4 positions would develop materials, coordinate with retailers, lead development of program implementation, and oversee the rebate applications for the regional offices.

0.5 FTE Environmental Specialist 4 (ES4) in FY 2024 and FY 2025 and 0.1 FTE in each year following for the duration of the program – Ecology assumes the program would require contracts to be set up with each of the local clean air agencies, as well as the local retailers in areas where a local clean air agency does not exist. This work would be conducted by a contract manager at the ES 4 level.

0.2 FTE Fiscal Analyst 3 in FY 2024 and each year following for the duration of the program – this position would be responsible for processing the rebates and issuing the checks for the program participants in the areas of the regional offices.

## Program Rebates

Under section 2, rebates would be issued to eligible recipients in the amount of \$100 for equipment with a purchase price of up to \$300, and \$200 for equipment with a purchase price over \$300. Ecology assumes rebate applications and distributions would begin in February 2024 after rulemaking is complete and there is a list of approved retailers.

There is an indeterminate fiscal impact for the rebates issued by Ecology under this program. Ecology cannot currently

project the estimated number of applicants for rebates each year. For purposes of this fiscal note, Ecology has provided a scenario of an annual total of 6,000 rebates per year as follows: 2,000 rebate requests at the \$100 level and 4,000 rebate requests at the \$200 rebate level. For purposes of this scenario, this would result in \$1,000,000 in rebates each year beginning in FY 2024. Ecology assumes rebate funding would be issued to clean air agencies and through Ecology regional offices. Expenditures are assumed as grants, consistent with other agency rebate programs. For purposes of this fiscal note, Ecology assumes the program would be effective, therefore implementation and rebates are estimated as ongoing. Expenditures for rebates in FY 2024 are estimated in General Fund-State, and expenditures in FY 2025 and thereafter are estimated in the new Zero-Emission Landscaping Equipment Incentive Account since under current law the Climate Commitment Account will not have funding available until after July 2024.

SUMMARY: The expenditure impact to Ecology under this bill is :

RULEMAKING is estimated to require:

FY 2022: \$54,801 and 0.4 FTEs

FY 2023: \$138,771 and 1.0 FTEs

FY 2024: \$83,972 and 0.6 FTEs.

PROGRAM IMPLEMENTATION is estimated to require :

FY 2024: \$365,902 and 2.9 FTEs

FY 2025: \$365,902 and 2.9 FTEs

FY 2026: \$312,877 and 2.4 FTEs

FY 2027: \$312,877 and 2.4 FTEs.

PROGRAM REBATES are Indeterminate, but a scenario is provided as follows :

FY 2024: \$1,000,000

FY 2025: \$1,000,000

FY 2026: \$1,000,000

FY 2027: \$1,000,000

THE TOTAL EXPENDITURE IMPACT to Ecology under this bill is estimated to be :

FY 2022: \$54,801 and 0.4 FTEs

FY 2023: \$138,771 and 1.0 FTEs

FY 2024: \$1,449,874 and 3.5 FTEs

FY 2025: \$1,365,902 and 2.9 FTEs

FY 2026: \$1,312,877 and 2.4 FTEs

FY 2027: \$1,312,877 and 2.4 FTEs.

Notes on costs by object:

Salary estimates are current biennium actual rates at Step L.

Benefits are the agency average of 36.5% of salaries.

Goods and Services are the agency average of \$4,834 per direct program FTE. Includes \$1,000 in FY 2023 and FY 2024 for public meeting and hearing.

Travel is the agency average of \$2,234 per direct program FTE.

Equipment is the agency average of \$1,230 per direct program FTE.

Grants, Benefits, and Client Services includes the estimated \$1,000,000 in assumed annual rebates starting in FY 2024.

Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 28.3% of direct program salaries and benefits, and is shown as object 9. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT App Development - Journey.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	54,801	138,771	193,572	1,449,874	0
NEW-6	Zero-Emission Landscaping Equipment Incentive Account	Non-Appropriated	0	0	0	1,365,902	2,625,754
<b>Total \$</b>			54,801	138,771	193,572	2,815,776	2,625,754

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	0.4	1.0	0.7	3.2	2.4
A-Salaries and Wages	29,633	74,522	104,155	439,061	337,408
B-Employee Benefits	10,816	27,200	38,016	160,259	123,156
E-Goods and Other Services	1,692	5,230	6,922	27,708	20,302
G-Travel	782	1,955	2,737	12,343	9,382
J-Capital Outlays	431	1,077	1,508	6,797	5,166
N-Grants, Benefits & Client Services				2,000,000	2,000,000
9-Agency Administrative Overhead	11,447	28,787	40,234	169,608	130,340
<b>Total \$</b>	54,801	138,771	193,572	2,815,776	2,625,754

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 4	70,956				0.6	0.6
ECONOMIC ANALYST 3	82,344		0.1	0.1	0.1	
ENVIRONMENTAL ENGINEER 4	100,308	0.1	0.3	0.2	0.1	
ENVIRONMENTAL PLANNER 3	78,408	0.3	0.5	0.4	0.1	
ENVIRONMENTAL PLANNER 4	86,484				1.0	1.0
ENVIRONMENTAL SPEC 4	70,956				0.5	0.1
FISCAL ANALYST 2		0.0	0.1	0.1	0.3	0.2
FISCAL ANALYST 3	62,748				0.2	0.2
IT APP DEVELOP-JOURNEY		0.0	0.0	0.0	0.1	0.1
REGULATORY ANALYST 2	80,292		0.0	0.0	0.0	
WMS BAND 2	100,000				0.2	0.2
<b>Total FTEs</b>		0.4	1.0	0.7	3.2	2.4

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

### IV. B - Expenditures by Object Or Purpose

NONE

**IV. C - Capital Budget Breakout**

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

NONE

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

NONE

**Part V: New Rule Making Required**

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

Ecology would need to establish new rules to establish the program requirements for the zero-emission landscaping equipment incentive and exchange pilot program created in Section 2.