Multiple Agency Fiscal Note Summary

Bill Number: 5967 SB	Title: Financial instit./climate

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
Department of Revenue	0	0	15,300,000	(9,000,000)	(9,000,000)	69,900,000	(21,100,000)	(21,100,000)	66,000,000
Total $	**0**	**0**	**15,300,000**	**(9,000,000)**	**(9,000,000)**	**69,900,000**	**(21,100,000)**	**(21,100,000)**	**66,000,000**

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
Department of Financial Institutions	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Commerce	.1	67,846	67,846	67,846	.1	91,844	91,844	91,844	.1	91,844	91,844	91,844
Department of Revenue	.4	239,200	239,200	239,200	.0	8,800	8,800	8,800	.0	8,800	8,800	8,800
Total $	**0.5**	**307,046**	**307,046**	**307,046**	**0.1**	**100,644**	**100,644**	**100,644**	**0.1**	**100,644**	**100,644**	**100,644**

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Financial Institutions	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Estimated Capital Budget Breakout

NONE

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 2/ 9/2022

Individual State Agency Fiscal Note

Bill Number: 5967 SB	Title: Financial instit./climate	Agency: 102-Department of Financial Institutions

Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

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

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

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/28/2022
Agency Preparation:	Emily Fitzgerald	Phone: (360) 902-8780	Date: 02/02/2022
Agency Approval:	Levi Clemmens	Phone: (360) 902-8818	Date: 02/02/2022
OFM Review:	Cheri Keller	Phone: (360) 584-2207	Date: 02/02/2022

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 legislation would impose a climate resiliency and mitigation surcharge on specified financial institutions that are the bankers of the fossil fuels industry. This bill adds no new responsibilities to the Department of Financial Institutions' regulatory role, and therefore has 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.

II. C - Expenditures

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

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

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

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5967 SB	Title: Financial instit./climate	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	0.0	0.3	0.1	0.1	0.1
Account					
General Fund-State 001-1	0	67,846	67,846	91,844	91,844
Total $	0	67,846	67,846	91,844	91,844

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:	Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/28/2022
Agency Preparation:	Marla Page	Phone: 360-725-3129	Date: 02/03/2022
Agency Approval:	Joyce Miller	Phone: 360-725-2710	Date: 02/03/2022
OFM Review:	Gwen Stamey	Phone: (360) 790-1166	Date: 02/04/2022

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 bill imposes a state climate resiliency and mitigation surcharge on large financial institutions financing the global fossil fuel industry while recognizing the financial institution industry's efforts to address climate change.

Section 2(1)(a)(b) adds to chapter 70A.05 RCW, states that from January 1, 2023 through December 1, 2049, a climate resiliency and mitigation surcharge is imposed on specified financial institutions that are bankers of fossil fuels, except as provided in subsection (3) of this section.

Section 2(3)(a) adds to chapter 70A.05 RCW, requires the Department of Commerce (department) to publish a report on bankers of fossil fuels, and use league tables published from a well-established financial data analytics and services firm that provides financial, economic, and government information covering industry sectors. The report must be established by October 1, 2022.

Section 2(3)(b) adds to chapter 70A.05 RCW, requires the department to publish a similar report by April 1, 2024 and by each April 1st thereafter for use in climate resiliency and mitigation surcharge rate determination under subsection 1 (b) of this section.

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.

Agency assumptions:

The bill requires the department to publish a report on bankers of fossil fuels. The report must be established by October 1, 2022 and annually starting April 1, 2024. This report would require access to financial data and financial expertise that is not currently present in the department. The department would contract out for expertise from a well-established financial data analytics and services firm that provides financial, economic, and government information covering industry sectors to prepare the report on bankers of fossil fuels. The department would provide consultation services and coordinate with contractor in the preparation of the report.

The report must include an assessment for adjusted fossil fuel financing, as a percentage of total financing for all industries, for each specified financial institution's consolidated financial institution group in calendar year 2021.

For fiscal note purposes, the department assumes the data for this report would be obtained by subscribing to Bloomberg Professional Services at a cost of $24,000 per year. The data provided by that service may require additional analysis, in which case the department may need to contract with a financial analyst to produce the required scores.

The department assumes the analysis, scoring, and report would be prepared using methods and data described here: https://www.bankingonclimatechaos.org/wp-content/themes/bocc-2021/inc/bcc-data-2021/Methodology%20FAQ_BOCC2021.pdf

The scoring and report produced by the department may be subject to administrative or judicial challenges by the financial institutions subject to the surcharge or by other entities. The legal costs to the agency of defending in these cases are unknown but would be substantial if any challenges occur.

To accomplish the requirements of Section 2 the department estimates the follow will be needed :

0.20 FTE EMS2 Senior Energy Policy Specialist (416 hours) in FY23 to calculate scores, produce the report, and coordinate with Department Revenue in using the results, and .10 EMS2 (208 hours) in FY24-F27 for ongoing consultation for publishing the annual report.

Salaries and Benefits
FY23: $30,836
FY24-FY27: $15,417 per fiscal year

Professional Service Contracts
The department estimates $24,000 for expert contracted services for data analysis and calculations to prepare report. Additional services may be required for financial analysis but cannot be determined at this time.

FY23-FY27: $24,000 per fiscal year

Goods and Services:
FY23: $2,526
FY24-FY27: $1,263 per fiscal year

Intra-agency Reimbursement:
FY23: $10,484
FY24-FY27: $5,242 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 Costs:
FY23: $67,846
FY24-FY27: $45,922 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	0	67,846	67,846	91,844	91,844
		Total $	0	67,846	67,846	91,844	91,844

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.3	0.1	0.1	0.1
A-Salaries and Wages		23,623	23,623	23,622	23,622
B-Employee Benefits		7,213	7,213	7,212	7,212
C-Professional Service Contracts		24,000	24,000	48,000	48,000
E-Goods and Other Services		2,526	2,526	2,526	2,526
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		10,484	10,484	10,484	10,484
9-					
Total $	0	67,846	67,846	91,844	91,844

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		0.1	0.0	0.0	0.0
EMS Band 2	118,114		0.2	0.1	0.1	0.1
Total FTEs			0.3	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

Department of Revenue Fiscal Note

Bill Number: 5967 SB	**Title:** Financial instit./climate	**Agency:** 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Account	FY 2022	FY 2023	2021-23	2023-25	2025-27
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax				(9,000,000)	(21,100,000)
Climate Resiliency Account-State 00 - 00 -		15,300,000	15,300,000	78,900,000	87,100,000
Total $		15,300,000	15,300,000	69.900.000	66,000,000

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years		0.8	0.4		
Account					
GF-STATE-State 001-1		239,200	239,200	8,800	8,800
Total $		239,200	239,200	8,800	8,800

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:

☒ 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:	Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/28/2022
Agency Preparation:	Melissa Howes	Phone: 360-534-1518	Date: 02/09/2022
Agency Approval:	Valerie Torres	Phone: 360-534-1521	Date: 02/09/2022
OFM Review:	Cheri Keller	Phone: (360) 584-2207	Date: 02/09/2022

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.

CURRENT LAW:
Specified financial institutions pay an additional tax of 1.2% on service and other activities business and occupation (B&O) taxable income.

"Specified financial institution" means a financial institution that is a member of a consolidated financial institution group that reported on its consolidated financial statement for the previous calendar year annual net income of at least one billion dollars, not including net income attributable to noncontrolling interests, as the terms "net income" and "noncontrolling interest" are used in the consolidated financial statement.

PROPOSAL:
This legislation creates a climate resiliency and mitigation surcharge for specified financial institutions that provide financing to the global fossil fuel industry. The tiered surcharge is imposed from January 1, 2023, through December 31, 2049, and is calculated by multiplying the applicable climate resiliency and mitigation surcharge rate by the gross amount of service and other activities income. The surcharge is in addition to the service and other activities business and occupation (B&O) tax and the specified financial institution surcharge.

Climate Resiliency and Mitigation Surcharge
A specified financial institution's consolidated financial institution group's climate resiliency and mitigation surcharge rate is determined by the adjusted fossil fuel financing provided as a percentage of total financing for all industries in the prior calendar year.

The climate resiliency and mitigation surcharge rates are:
- 0.50% for adjusted fossil fuel financing percentages of 4% or more.
- 0.375% for adjusted fossil fuel financing percentages from 2.5% to 4%.
- 0.25% for adjusted fossil fuel financing percentages less than 2.5%.

Beginning October 1, 2022, the Department of Commerce (Commerce) must publish a Washington fossil fuel financing report assessing the adjusted fossil fuel financing percentage for each specified financial institution's consolidated financial institution group for calendar year 2021. To make this determination, Commerce is directed to use league tables published by a well-established financial data analytics and services firm. This report must be used to determine the surcharge rate applicable to a specified financial institution's consolidated financial institution group for calendar year 2023. Commerce must continue to publish a Washington fossil fuel financing report for subsequent years each April 1st beginning April 1, 2024. Beginning July 1, 2024, and each July 1st after, the climate resiliency and mitigation tax rate for each specified financial institution will be adjusted, if necessary, based on the Commerce report.

All revenues from the climate resiliency and mitigation surcharge are to be deposited into the Climate Resiliency Account.

The climate resiliency and mitigation surcharge expires December 31, 2049.

Specified Financial Institutions Surcharge
This legislation also amends the specified financial institution surcharge rate applicable to bankers of fossil fuels.

Beginning July 1, 2024, the specified financial institution surcharge rates applicable to bankers of fossil fuels are as follows
- 1.20% for specified financial institution's consolidated financial institution group that pays the climate resiliency and

mitigation surcharge rate of 0.50%.
- 1.075% for specified financial institution's consolidated financial institution group that pays the climate resiliency and mitigation surcharge rate of 0.375%.
- 0.95% for specified financial institution's consolidated financial institution group that pays the climate resiliency and mitigation surcharge rate of 0.25%.

A specified financial institution's consolidated financial institution group may adjust its specified financial institution surcharge rate for the current fiscal year when notified by the Department of Revenue.

EFFECTIVE DATE:
The bill takes effect 90 days after final adjournment of the session in which it is enacted.

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:
- Bankers of fossil fuels were identified using the league tables in the "Banking on Climate Chaos: Fossil Fuel Finance Report 2021" created by the Rainforest Action Network.
- Financing amounts used to calculate the adjusted fossil fuel financing percentage to determine the applicable climate resiliency and mitigation rate included lending and debt underwriting. Amounts related to equity underwriting were not available.
- A company may be classified as a fossil fuel company or a renewable energy company, but not both. A fossil fuel company could engage in a renewable energy project for which it obtains financing; however, that project will be classified under the fossil fuel industry, and vice versa.
- This estimate assumes no adjustment to the climate resiliency and mitigation tax rate for each specified financial institution.

DATA SOURCES:
- Department of Revenue excise tax return data
- Rainforest Action Network: "Banking on Climate Chaos: Fossil Fuel Finance Report 2021 "
- Bloomberg
- Economic and Revenue Forecast Council November 2021 forecast

REVENUE ESTIMATES:
This bill increases state revenues by an estimated $15.3 million in the 5 months of impacted collections in Fiscal Year 2023, and by $38.5 million in Fiscal Year 2024, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):

FY 2022 -	$ 0
FY 2023 -	$ 15,300
FY 2024 -	$ 38,500
FY 2025 -	$ 31,400
FY 2026 -	$ 32,200
FY 2027 -	$ 33,800

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

ASSUMPTIONS:
This bill affects approximately 200 taxpayers.

FIRST YEAR COSTS:
The Department will not incur costs in Fiscal Year 2022.

SECOND YEAR COSTS:
The Department will incur total costs of $239,200 in Fiscal Year 2023. These costs include :

Labor Costs – Time and effort equates to 0.83 FTEs.
- Amend one administrative rule.
- Identify publications and information that need to be created or updated on the Department's website.
- Respond to email inquiries and calls from the telephone information center.
- Accounting activities for the new tax, compiling receivable information for statewide financial statements and stakeholders.
- Implementation meetings, system testing, and documentation.
- Set up, program, and test computer system changes.

Object Costs - $140,800.
- Computer system changes, including contract programming.

ONGOING COSTS:
Ongoing costs for the 2023-25 Biennium equal $8,800 and include similar activities described in the second-year object 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		0.8	0.4		
A-Salaries and Wages		60,500	60,500		
B-Employee Benefits		21,700	21,700		
C-Professional Service Contracts		140,800	140,800	8,800	8,800
E-Goods and Other Services		10,500	10,500		
J-Capital Outlays		5,700	5,700		
Total $		$239,200	$239,200	$8,800	$8,800

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	122,633		0.0	0.0		
EMS BAND 5	143,263		0.0	0.0		
FISCAL ANALYST 5	64,332		0.1	0.1		
IT SYS ADM-JOURNEY	89,916		0.2	0.1		
MGMT ANALYST4	70,956		0.2	0.1		
TAX INFO SPEC 4	64,332		0.2	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	104,295		0.0	0.0		
Total FTEs			0.8	0.5		

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

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

NONE

None.

Part V: New Rule Making Required

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

Should this legislation become law, the Department will use the standard rulemaking process to amend WAC 458-20-146, titled: "National and state banks, mutual savings banks, savings and loan associations and other financial institutions."

Persons affected by this rulemaking would include specified financial institutions that are bankers of fossil fuels.

Multiple Agency Ten-Year Analysis Summary

Bill Number	Title
5967 SB	Financial instit./climate

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	2022-31 TOTAL
Department of Financial Institutions	0	0	0	0	0	0	0	0	0	0	0
Department of Commerce	0	0	0	0	0	0	0	0	0	0	0
Department of Revenue	0	15,300,000	38,500,000	40,400,000	42,500,000	44,600,000	46,800,000	49,200,000	51,700,000	54,300,000	383,300,000
Total	**0**	**15,300,000**	**38,500,000**	**40,400,000**	**42,500,000**	**44,600,000**	**46,800,000**	**49,200,000**	**51,700,000**	**54,300,000**	**383,300,000**

Ten-Year Analysis

Bill Number	Title	Agency
5967 SB	Financial instit./climate	102 Department of Financial Institutions

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at http://www.ofm.wa.gov/tax/default.asp .

Estimates

[X] **No Cash Receipts** [ ] **Partially Indeterminate Cash Receipts** [ ] **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code										

Agency Preparation: Emily Fitzgerald	Phone: (360) 902-8780	Date: 2/2/2022 3:37:16 pm
Agency Approval: Levi Clemmens	Phone: (360) 902-8818	Date: 2/2/2022 3:37:16 pm
OFM Review:	Phone:	Date:

Ten-Year Analysis

Bill Number	Title	Agency
5967 SB	Financial instit./climate	103 Department of Commerce

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at http://www.ofm.wa.gov/tax/default.asp .

Estimates

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

Name of Tax or Fee	Acct Code										

Agency Preparation: Marla Page	Phone: 360-725-3129	Date: 2/3/2022 5:06:30 pm
Agency Approval: Joyce Miller	Phone: 360-725-2710	Date: 2/3/2022 5:06:30 pm
OFM Review:	Phone:	Date:

Ten-Year Analysis

Bill Number	Title	Agency
5967 SB	Financial instit./climate	140 Department of Revenue

This ten-year analysis is 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

Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	2022-31 TOTAL
Climate resiliency and mitigation surcharge	24M		15,300,000	38,500,000	40,400,000	42,500,000	44,600,000	46,800,000	49,200,000	51,700,000	54,300,000	383,300,000
Total			**15,300,000**	**38,500,000**	**40,400,000**	**42,500,000**	**44,600,000**	**46,800,000**	**49,200,000**	**51,700,000**	**54,300,000**	**383,300,000**
Biennial Totals			**15,300,000**		**78,900,000**		**87,100,000**		**96,000,000**		**106,000,000**	**383,300,000**

Narrative Explanation (Required for Indeterminate Cash Receipts)

CURRENT LAW:
Specified financial institutions pay an additional tax of 1.2% on service and other activities business and occupation (B&O) taxable income.

"Specified financial institution" means a financial institution that is a member of a consolidated financial institution group that reported on its consolidated financial statement for the previous calendar year annual net income of at least one billion dollars, not including net income attributable to noncontrolling interests, as the terms "net income" and "noncontrolling interest" are used in the consolidated financial statement.

PROPOSAL:
This legislation creates a climate resiliency and mitigation surcharge for specified financial institutions that provide financing to the global fossil fuel industry. The tiered surcharge is imposed from January 1, 2023, through December 31, 2049, and is calculated by multiplying the applicable climate resiliency and mitigation surcharge rate by the gross amount of service and other activities income. The surcharge is in addition to the service and other activities business and occupation (B&O) tax and the specifie financial institution surcharge.

Climate Resiliency and Mitigation Surcharge
A specified financial institution's consolidated financial institution group's climate resiliency and mitigation surcharge rate is determined by the adjusted fossil fuel financing

Ten-Year Analysis

Bill Number	Title	Agency
5967 SB	Financial instit./climate	140 Department of Revenue

This ten-year analysis is 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 .

Narrative Explanation (Required for Indeterminate Cash Receipts)

provided as a percentage of total financing for all industries in the prior calendar year.

The climate resiliency and mitigation surcharge rates are:
- 0.50% for adjusted fossil fuel financing percentages of 4% or more.
- 0.375% for adjusted fossil fuel financing percentages from 2.5% to 4%.
- 0.25% for adjusted fossil fuel financing percentages less than 2.5%.

Beginning October 1, 2022, the Department of Commerce (Commerce) must publish a Washington fossil fuel financing report assessing the adjusted fossil fuel financing percentage for each specified financial institution's consolidated financial institution group for calendar year 2021. To make this determination, Commerce is directed to use league tables published by a well-established financial data analytics and services firm. This report must be used to determine the surcharge rate applicable to a specified financial institution's consolidated financial institution group for calendar year 2023. Commerce must continue to publish a Washington fossil fuel financing report for subsequent years each April 1st beginning April 1, 2024. Beginning July 1, 2024, and each July 1st after, the climate resiliency and mitigation tax rate for each specified financial institution will be adjusted, if necessary, based on the Commerce report.

All revenues from the climate resiliency and mitigation surcharge are to be deposited into the Climate Resiliency Account.

The climate resiliency and mitigation surcharge expires December 31, 2049.

Specified Financial Institutions Surcharge
This legislation also amends the specified financial institution surcharge rate applicable to bankers of fossil fuels.

Beginning July 1, 2024, the specified financial institution surcharge rates applicable to bankers of fossil fuels are as follows:
- 1.20% for specified financial institution's consolidated financial institution group that pays the climate resiliency and mitigation surcharge rate of 0.50%.
- 1.075% for specified financial institution's consolidated financial institution group that pays the climate resiliency and mitigation surcharge rate of 0.375%.
- 0.95% for specified financial institution's consolidated financial institution group that pays the climate resiliency and mitigation surcharge rate of 0.25%.

A specified financial institution's consolidated financial institution group may adjust its specified financial institution surcharge rate for the current fiscal year when notified by the Department of Revenue.

EFFECTIVE DATE:

Ten-Year Analysis

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Narrative Explanation (Required for Indeterminate Cash Receipts)

The bill takes effect 90 days after final adjournment of the session in which it is enacted.

ASSUMPTIONS:
- Bankers of fossil fuels were identified using the league tables in the "Banking on Climate Chaos: Fossil Fuel Finance Report 2021" created by the Rainforest Action Network.
- Financing amounts used to calculate the adjusted fossil fuel financing percentage to determine the applicable climate resiliency and mitigation rate included lending and debt underwriting. Amounts related to equity underwriting were not available.
- A company may be classified as a fossil fuel company or a renewable energy company, but not both. A fossil fuel company could engage in a renewable energy project for which it obtains financing; however, that project will be classified under the fossil fuel industry, and vice versa.
- This estimate assumes no adjustment to the climate resiliency and mitigation tax rate for each specified financial institution.

DATA SOURCES:
- Department of Revenue excise tax return data
- Rainforest Action Network: "Banking on Climate Chaos: Fossil Fuel Finance Report 2021"
- Bloomberg
- Economic and Revenue Forecast Council November 2021 forecast

REVENUE ESTIMATES:
This bill increases state revenues by an estimated $15.3 million in the 5 months of impacted collections in Fiscal Year 2023, and by $38.5 million in Fiscal Year 2024, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):

FY 2022 -	$ 0
FY 2023 -	$ 15,300
FY 2024 -	$ 38,500
FY 2025 -	$ 31,400
FY 2026 -	$ 32,200
FY 2027 -	$ 33,800

Local Government, if applicable (cash basis, $000): None.

Ten-Year Analysis

Bill Number	Title	Agency
5967 SB	Financial instit./climate	140 Department of Revenue

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