

Individual State Agency Fiscal Note

Bill Number: 5362 SB	Title: Clean fuels program report	Agency: 461-Department of Ecology
-----------------------------	--	--

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Clean Fuels Program Account-State 25Q-1	36,592		36,592		
Total \$	36,592		36,592		

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2	0.0	0.1	0.0	0.0
Account					
Clean Fuels Program Account-State 25Q-1	36,592	0	36,592	0	0
Total \$	36,592	0	36,592	0	0

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- 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: Angela Kleis	Phone: 360-786-7469	Date: 01/12/2023
Agency Preparation: Emily Delancey	Phone: 360-280-6628	Date: 02/01/2023
Agency Approval: Erik Fairchild	Phone: 360-407-7005	Date: 02/01/2023
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 02/01/2023

Part II: Narrative Explanation

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

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

Currently, the Department of Ecology (Ecology) administers the Clean Fuels Program, authorized in statute under chapter 70A.535 RCW. Under the Clean Fuel Standard (CFS), fuels are assessed to determine their carbon intensity. Cleaner fuels – those with carbon intensities below the standard – generate credits that can be kept or sold to producers of high-carbon fuels. Fuels with a carbon intensity above the standard generate deficits. Those producers must then buy enough credits to meet the carbon intensity reduction for that year. The requirement to reduce carbon intensity increases over time, making sure aggregate emissions from transportation fuels decrease. In Washington, the Clean Fuel Standard works beside the Climate Commitment Act to target the largest source of emissions in Washington.

Section 2 of this bill would amend RCW 70A.535.090 to require Ecology to submit a retrospective analysis on the costs and cost savings of the CFS beginning February 1, 2024, and each February 1st thereafter, rather than beginning May 1, 2025, under current law. This section would also strike the requirement for Ecology to contract for an ex ante economic analysis on the estimated future impacts of the program.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

The cash receipts impact to Ecology under this bill is less than \$50,000 in Fiscal Year (FY) 2024 to implement the requirements of section 2.

Section 2 – Clean Fuels Program Fees

Under current law, RCW 70A.535.130 of the CFS, Ecology may require that persons that are required or elect to register or report under the program pay a fee. The fee must be set equal to the projected direct and indirect costs for developing and implementing the program, as well as the projected direct and indirect costs to the Department of Commerce to carry out the responsibilities under RCW 70A.535.100. All fees and penalties received through the program must be deposited into the Clean Fuels Program Account.

Section 2 of this bill would increase the cost of developing the IT needs of the program, and would therefore increase the fee and the associated revenue collected for this purpose.

The revenue impact to Ecology under this bill is:
FY 2024: \$36,592

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

The expenditure impact to Ecology under this bill is estimated to be less than \$50,000 in Fiscal Year (FY) 2024 to implement the requirements of section 2.

Section 2 would require Ecology to submit a retrospective analysis on the costs and cost savings of the CFS beginning February 1, 2024, and each February 1st thereafter. The initial and current reporting deadline is set for estimates to be due April 15, 2024, and for a detailed retrospective analysis to be due May 1, 2025, as set in chapter 173-424 WAC.

Ecology currently has funding for \$75,467 in FY 2024 and ongoing for the purpose of contracting with an independent

consultant to determine fuel costs or cost savings attributable to the CFS. As Ecology currently has funding for this purpose in FY 2024, changing Ecology’s reporting deadline to start February 1, 2024 (FY 2024) instead of starting May 1, 2025 (FY 2025) would not change our estimated contract cost to carry out the work.

Ecology assumes the reporting will require IT staff to develop and maintain an IT application. Ecology has existing funding to support the IT application beginning in FY 2025, however, the change to the reporting deadline to start February 1, 2024, instead of May 1, 2025, would require additional IT staff time in FY 2024.

0.10 FTE IT Business Analyst Journey in FY 2024 – this position would analyze the business requirements of the needed IT application and document software specifications, do system testing, and conduct user training.

0.10 FTE IT App Development Journey in FY 2024 – this position would develop, deploy and maintain the application.

Section 2 would also strike a portion of the statute that has already been completed: an ex ante economic analysis on the estimated future impacts of the program. This report was completed and submitted to the legislature on July 1, 2022.

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

FY 2024: \$36,592 and 0.2 FTEs.

Notes on costs by object:

Salary estimates are current biennium actual rates at Step L.

Benefits are the agency average of 36% of salaries.

Goods and Services are the agency average of \$5,224 per direct program FTE.

Travel is the agency average of \$1,563 per direct program FTE.

Equipment is the agency average of \$1,031 per direct program FTE.

Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 28.75% 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 2024	FY 2025	2023-25	2025-27	2027-29
25Q-1	Clean Fuels Program Account	State	36,592	0	36,592	0	0
Total \$			36,592	0	36,592	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2		0.1		
A-Salaries and Wages	20,006		20,006		
B-Employee Benefits	7,202		7,202		
E-Goods and Other Services	1,044		1,044		
G-Travel	312		312		
J-Capital Outlays	206		206		
9-Agency Administrative Overhead	7,822		7,822		
Total \$	36,592	0	36,592	0	0

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
FISCAL ANALYST 2		0.0		0.0		
IT APP DEV-JOURNEY	100,032	0.1		0.1		
IT APP DEV-JOURNEY (Admin)		0.0		0.0		
IT BUSINESS ANALYST-JRNY	100,032	0.1		0.1		
Total FTEs		0.2		0.1		0.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

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

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.