

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5312 SB	<b>Title:</b> Clean energy/residential
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## Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	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	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Commerce	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	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	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	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

<b>Prepared by:</b> Gwen Stamey, OFM	<b>Phone:</b> (360) 790-1166	<b>Date Published:</b> Final
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5312 SB	<b>Title:</b> Clean energy/residential	<b>Agency:</b> 103-Department of Commerce
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## 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:

- 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: Karen Epps	Phone: 360-786-7424	Date: 01/25/2023
Agency Preparation: Marla Page	Phone: 360-725-3129	Date: 02/01/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 02/01/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/03/2023

## 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.*

The bill relates to creating a residential property assessed clean energy and resiliency program.

Section 3 states the Department of Commerce (department) may establish a voluntary statewide residential property-assessed clean energy and resilience (R-PACER) program, in addition to allowing counties to establish their own R-PACER programs.

This bill does not require any action and allows the department to voluntarily establish an R-PACER 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.*

### 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 impact of this bill is indeterminate.

The department assumes it will not implement the optional statewide program unless this work is specifically funded. If funded, the department estimates:

FOR ILLUSTRATIVE PURPOSES ONLY:

0.20 FTE EMS2 Energy Policy Specialist (416 hours) in FY24-FY25 to provide specialized technical services to program, oversee design and establishment of the program and provide consultation for the program.

0.20 FTE Commerce Specialist 3 (416 hours) in FY24-FY29 for management of the R-PACER contract management. To provide capacity around solicitation, origination, management and monitoring of project contracts. Assist senior management with coordinating the departments' role with respect to the implementation of the program.

#### Salaries and Benefits

FY24: \$54,078

FY25: \$55,885

FY26-FY29: \$22,970 per fiscal year

#### Professional Service Contracts

The department estimates 1,800 hours in FY24, 1,540 hours in FY25, and 1,400 hours each fiscal year thereafter for a professional service contract with an expert on residential PACE to establish a statewide program, conduct customer, financial management set up and operation, and create a guidebook for use in Washington. The department assumes a rate of \$250 per hour for the professional services contracts.

FY24: \$450,000

FY25: \$385,000

FY26-FY29: \$350,000 per fiscal year thereafter

Guidebook development would include multiple rounds of drafting and legal review, in consultation with county governments, capital providers and other stakeholders. Additionally, this figure includes project diligence and underwriting, and marketing and outreach. This estimate is comparable to C-PACER programs in other states, with the recognition that this program will need to process a greater volume of loans than a C-PACER program.

Goods and Services

FY24: \$3,852

FY25: \$3,856

FY26-FY29: \$1,917 per fiscal year

Intra-Agency Reimbursements

FY24: \$17,792

FY25: \$18,386

FY26-FY29: \$7,557 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

FY24: \$525,722

FY25: \$463,127

FY26-FY27: \$382,444 per fiscal year

### 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:** *FTEs listed by classification and corresponding annual compensation. Totals 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**

*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.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5312 SB	<b>Title:</b> Clean energy/residential	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated 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: Karen Epps	Phone: 60-786-7424	Date: 01/25/2023
Agency Preparation: Kari Kenall	Phone: 60-534-1508	Date: 01/30/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/30/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/30/2023

Request # 5312-1-1

## 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.*

This fiscal note only addresses sections 1 and 7 of the bill, which impact the Department of Revenue (department).

#### CURRENT LAW:

Liens on real and personal property secure the state, local, and junior taxing district property taxes due for the property including deferred property taxes and special assessments. These liens have first priority and must be fully paid and satisfied before any other debt or obligation that is secured by the property is paid or satisfied. (RCW 84.60.010)

Current law does not include a program where property owners can obtain low-cost, long-term financing secured by a lien on their property for the purpose of making energy efficiency, water conservation, clean energy, renewable energy, and resiliency project improvements to their property.

#### PROPOSAL:

##### RESIDENTIAL PROPERTY ASSESSED CLEAN ENERGY AND RESILIENCY PROGRAM (Section 1):

This bill authorizes the governing body of a county to voluntarily establish a residential property assessed clean energy and resiliency (R-PACER) program. An R-PACER program ensures owners of single-family and qualified multifamily residential properties can obtain low-cost, long-term financing to make qualifying improvements to their property.

The owner agrees to an assessment on the property secured by a lien to repay the financing. The lien is not a personal debt of the property owner. Instead, the lien remains with the property until the assessment is repaid, regardless of any transfer of the property's ownership including tax foreclosure.

##### RESIDENTIAL PROPERTY ASSESSED CLEAN ENERGY AND RESILIENCY PROGRAM LIENS (Section 7):

An R-PACER lien takes priority over all other liens or obligations except a lien for taxes imposed by the state, a local government, or a junior taxing district on real property.

#### EFFECTIVE DATE:

This bill takes effect 90 days after final adjournment of the session.

### 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.*

This legislation results in no revenue impact to taxes administered by the department.

### 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 department will not incur any costs with the implementation of this legislation.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose



NONE

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

NONE

**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**

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

NONE

## **Part V: New Rule Making Required**

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5312 SB

Title: Clean energy/residential

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

### Legislation Impacts:

- Cities:
- Counties: Counties that choose to adopt the local option to establish an R-PACER program.
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: Consultation costs for counties that choose to implement R-PACER programs.
- Legislation provides local option: Option for counties to establish R-PACER programs.
- Key variables cannot be estimated with certainty at this time: How many counties would choose to establish an R-PACER program, the number of R-PACER transactions, and what the costs of implementing a program.

### 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: Chelsea Mickel	Phone: 518-727-3478	Date: 01/30/2023
Leg. Committee Contact: Karen Epps	Phone: 360-786-7424	Date: 01/25/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/30/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 01/30/2023

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Description of the bill with an emphasis on how it impacts local government.*

This bill authorizes Commerce to create a residential property assessed clean energy and resiliency (R-PACER) program, and provides a local option for counties to develop R-PACER programs.

Section 3 states that Commerce may establish a voluntary statewide R-PACER program that counties may choose to participate in. A county may establish a separate voluntary countywide R-PACER program, provided that it conforms to the requirements of the bill. This section then describes the requirements of counties who choose to adopt an R-PACER program.

Section 4 requires R-PACER programs to establish an application process to review and evaluate project applications for R-PACER financing.

Section 5 states that in order to adopt an R-PACER program, the governing body of a county must take the following actions:

- a. Adopt a resolution or ordinance that includes a statement describing how financing qualified R-PACER projects is in the public interest for safety, health and the common good, and include a description of the region in which the program is offered. A statement of the time and place for a public hearing on the proposed program should also be included.
- b. Hold a public hearing at which the public may comment on the proposed program. The resolution or ordinance adopted by a county under this section may incorporate the Commerce program guidebook or any amended versions of that program guidebook, as appropriate, by reference.

A county adopting an R-PACER program may narrow the definition of "qualified improvements" to be consistent with the county's climate goals. Any combination of counties may agree to jointly implement a program.

--If two or more counties implement a program jointly, a single public hearing held jointly by the cooperating counties is sufficient to satisfy the requirements of this chapter.

--If a county elects to join the statewide program administered by the Commerce, it may adopt a resolution or ordinance in accordance with the requirements of Commerce.

--In lieu of establishing a voluntary statewide program, Commerce may produce a program guidebook for reference and use by county programs.

Section 6 requires counties who participate in or establish their own R-PACER program to record each R-PACER lien in the real property records of the county in which the property is located.

Section 11 states that a county that adopts a program and designates a program region under this chapter may not: Make the issuance of a permit, license, or other authorization from the county to a person who owns property in the region contingent on the person entering into a written contract to repay the financing of a qualified project under this chapter; or otherwise compel a person who owns property in the region to enter into a written contract to repay the financing of a qualified project under this chapter.

Section 12 states that county employees or representatives may not be held personally liable for exercising any rights or responsibilities granted by this bill.

Section 13 does not allow a county to enforce any privately financed debt under the provisions in this bill. Neither the state nor county governments may use public funds to fund or repay any loan between a capital provider and property owner.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

This bill would have indeterminate expenditure impacts on local governments.

This bill presents a local option: counties may choose to participate in a voluntary state-wide R-PACER program or establish their own R-PACER program, but neither is required. Since it is unknown how many counties would choose to adopt either of these local options, expenditure impacts are indeterminate. The bill requires counties who choose to establish an R-PACER program to do so by adopting a resolution or ordinance, with a public hearing. The bill also requires these counties to record R-PACER liens. For discussion purposes, the estimated costs for adopting an ordinance and recording liens are described below. Counties would also incur costs setting up and administering an R-PACER program. An estimation of what these costs might look like is also detailed below.

**COSTS ASSOCIATED WITH ADOPTING AN ORDINANCE:** Counties that choose to establish an ordinance would have to write and adopt a R-PACER program ordinance. The Local Government Fiscal Note Program's ordinance model estimates the cost for a county to develop a complex ordinance with a hearing would be approximately \$9,399. The model also assumes that two full-time staff members with a salary of \$72,741 are required to enforce or execute a complex ordinance, with a hearing of the same complexity, and an approximate total of \$145,482.

**COSTS ASSOCIATED WITH RECORDING R-PACER LIENS:** Counties that choose to participate would incur an indeterminate cost associated with recording all R-PACER lien in the real property records of the county in which the property is located. According to the Spokane County Auditor, recording the R-PACER lien would cost the county \$39 per lien. Though not mentioned in this legislation, the R-PACER lien would also require an associated cost of \$39 for the release of lien when the debt is paid . Therefore, each R-PACER lien would cost the county \$78. Though each participating R-PACER property would require \$78 in recording fees, the total number of properties that would require these fees are not known.

**STARTUP & ADMINISTRATION COSTS:** The Washington State legislature passed a bill in 2020 establishing the Commercial Property Assessed Clean Energy and Resiliency (C-PACER) Program. King County currently operates a C-PACER program, and estimates that an R-PACER program would incur similar setup and administration costs. However, they estimate that they would incur higher costs related to additional legal support to address consumer protection concerns that other states operating R-PACER programs have seen. They also expect higher administration costs on an ongoing basis due to higher volume of transactions and additional support needed for smaller building owners. King county states that they would pay a one-time consultation fee to develop a program guide, update website information, setup program data systems, and provide legal support. They estimate that this would cost approximately \$150,000. In regards to ongoing program costs, King county estimates that they would incur a cost of \$90,000 for 0.5 FTEs to support R-PACER program implementation, education, application processing, coordination with internal and external stakeholders.

## **C. SUMMARY OF REVENUE IMPACTS**

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

This bill would have indeterminate revenue impacts on local governments.

King County estimates that revenue streams would be unreliable and highly variable for R-PACER, based on their experiences with the C-PACER program. Some program and labor costs could be offset by a program administration fee, though these revenues to the County have been highly variable and unpredictable for C-PACER and would not offset the need of the 0.5 FTE. R-PACER revenue per transaction is likely to be low and not able to offset the County's main program expenses. Since it is unknown how many R-PACER transactions counties will facilitate, revenue impacts are indeterminate.

### **SOURCES**

Department of Commerce, Energy Division  
Energy Information Administration  
King County

Local Government Fiscal Note, HB 2405, (2020)

Local Government Fiscal Note Program Unit Cost Model, (2023)

Senate Bill Report, SB 5312, Local Government, Land Use & Tribal Affairs Committee, (2023)

Spokane County Auditor

Washington Association of County Officials

Washington State Association of Counties



# Multiple Agency Ten-Year Analysis Summary

<b>Bill Number</b> 5312 SB	<b>Title</b> Clean energy/residential
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimated Cash Receipts

Department of Commerce	0	0	0	0	0	0	0	0	0	0	0
Department of Revenue	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



# Ten-Year Analysis

<b>Bill Number</b> 5312 SB	<b>Title</b> Clean energy/residential	<b>Agency</b> 103 Department of Commerce
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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**

Name of Tax or Fee	Acct Code												
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Agency Preparation: Marla Page	Phone: 360-725-3129	Date: 2/1/2023 4:38:47 pm
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 2/1/2023 4:38:47 pm
OFM Review:	Phone:	Date:



# Ten-Year Analysis

<b>Bill Number</b> 5312 SB	<b>Title</b> Clean energy/residential	<b>Agency</b> 140 Department of Revenue
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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**

<b>Name of Tax or Fee</b>	<b>Acct Code</b>												
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Agency Preparation: Kari Kenall	Phone: 360-534-1508	Date: 1/30/2023 1:24:30 pm
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 1/30/2023 1:24:30 pm
OFM Review:	Phone:	Date: