

Multiple Agency Fiscal Note Summary

Bill Number: 5447 S SB	Title: Alternative jet fuel
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Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Ecology	0	0	1,184,404	0	0	907,478	0	0	907,478
Total \$	0	0	1,184,404	0	0	907,478	0	0	907,478

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
Joint Legislative Audit and Review Committee	.1	20,000	20,000	20,000	.0	9,000	9,000	9,000	.0	9,000	9,000	9,000
Department of Commerce	1.4	599,839	599,839	599,839	1.2	556,822	556,822	556,822	1.2	559,222	559,222	559,222
Department of Revenue	Fiscal note not available											
Washington State University	.1	40,000	40,000	40,000	.1	40,000	40,000	40,000	.1	40,000	40,000	40,000
Department of Ecology	4.4	0	0	1,184,404	3.5	0	0	907,478	3.5	0	0	907,478
Total \$	6.0	659,839	659,839	1,844,243	4.8	605,822	605,822	1,513,300	4.8	608,222	608,222	1,515,700

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	Fiscal note not available								
Washington State University	.0	0	0	.0	0	0	.0	0	0
Department of Ecology	.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

Prepared by: Lisa Borkowski, OFM	Phone: (360) 742-2239	Date Published: Preliminary 2/15/2023
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Individual State Agency Fiscal Note

Bill Number: 5447 S SB	Title: Alternative jet fuel	Agency: 014-Joint Legislative Audit and Review Committee
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.0	0.1	0.0	0.0
Account					
General Fund-State 001-1	20,000	0	20,000	9,000	9,000
Total \$	20,000	0	20,000	9,000	9,000

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: Alia Kennedy	Phone: 360-786-7405	Date: 02/09/2023
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 02/14/2023
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 02/14/2023
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 02/15/2023

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 creates four new tax preferences intended to support development of the alternative jet fuel industry in Washington. All preferences are included in Part II.

TAX PERFORMANCE STATEMENT DETAILS

Section 7 is the tax preference performance statement that categorizes the preferences as intended to improve industry competitiveness, as indicated in RCW 82.32.808(2)(b). The Legislature's specific public policy objective is to encourage production and use of alternative jet fuels and to support development of the alternative jet fuels industry in the state by providing targeted tax relief. If a review finds that production and use of alternative jet fuels has increased, then the Legislature intends to extend the expiration dates of the preferences.

TAX PREFERENCE DETAILS

Section 8 adds a new section to chapter 82.04 RCW, applying a 0.275% B&O tax rate to businesses that manufacture, or make retail or wholesale sales of, manufactured alternative jet fuel in Washington. Users of this rate must file an annual tax preference performance report with the Department of Revenue (DOR). The preferential rate takes effect the first day of the first calendar quarter following the month when DOR receives notice from the Department of Ecology (DOE) that a facility capable of producing at least 20 million gallons of alternative jet fuel is operating in the state. The 0.275 rate expires nine calendar years after the close of the calendar year when the preferential rate takes effect.

Section 9 adds a new section to chapter 82.04 RCW, creating a B&O tax credit for alternative jet fuel manufacturers equal to \$1 for each gallon of alternative jet fuel that has at least 50% less carbon dioxide equivalent emissions than conventional jet fuel and is sold during the prior calendar year by either a business producing alternative jet fuel and located in a qualifying county or a business's designated alternative jet fuel blender located in Washington.

The credit amount must increase by 2 cents for each additional 1% reduction in carbon dioxide equivalent emissions beyond 50%, not to exceed \$2/gallon of alternative jet fuel. The credit is calculated only on the portion of jet fuel considered alternative jet fuel when such fuels are blended or used in a jet fuel mixture. Credit cannot be claimed until the DOE verifies there is at least one facility operating in the state capable of producing at least 20 million gallons of alternative jet fuel per year and provides such notice to DOR.

Businesses must apply to DOR to claim the credit and provide specific documentation detailed in the bill. Terms are defined, including "qualifying county" - a county with a population of less than 650,000 at the time of application for the credit. Credits may be earned must be claimed the year earned or the following year. Users of this credit must file an annual tax preference performance report with DOR.

Section 10 adds a new section to chapter 82.04 RCW, establishing a B&O tax credit against any B&O tax for persons using alternative jet fuel. The credit is equal to \$1/gallon of alternative jet fuel that has at least 50% less carbon dioxide equivalent emissions than conventional jet fuel and is purchased in the prior calendar year by a business for use as alternative jet fuel for flights originating in Washington. The same credit increase provision and credit calculation details as in section 9 apply to this credit, as well as the requirement that the credit cannot be claimed until DOR verifies a facility capable of producing at least 20 million gallons of alternative jet fuel is operating in the state. Businesses must apply to DOR to claim the credit and provide specific documentation detailed in the bill. Credits may be earned must be claimed the year earned or the year thereafter. Users of this rate must file an annual tax preference performance report with DOR.

Section 11 adds a new section to chapter 82.16 RCW, establishing a public utility tax credit for persons that use alternative

jet fuel. The credit is equal to \$1/gallon of alternative jet fuel that has at least 50% less carbon dioxide equivalent emissions than conventional jet fuel and is purchased in the prior calendar year by a business for use as alternative jet fuel for flights originating in Washington. The same credit increase provision and credit calculation details as in section 10 apply to this credit, as well as the requirement that the credit cannot be claimed until DOR verifies a facility capable of producing at least 20 million gallons of alternative jet fuel is operating in the state. Businesses must apply to DOR to claim the credit and provide specific documentation detailed in the bill. Credits may be earned and claimed in the year they are earned or the year thereafter. Users of this rate must file an annual tax preference performance report with DOR.

Section 13 notes RCW 82.32.805 does not apply to the act.

Section 14 notes all the B&O and public utility tax credits take effect July 1, 2024.

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.

JLARC staff would contact and work with the Department of Revenue immediately after passage of the bill to ensure project contacts are established and any other necessary data for JLARC staff’s future evaluation needs are identified and collected. JLARC will likely review these preferences in 2032.

The expenditure detail reflects work conducted to prepare for the future review of the preferences. Costs associated with the review are not included in this fiscal note. This fiscal note reflects only the costs associated with establishing data collection.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2023 legislative session.

This audit will require an estimated 2 audit months.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst’s time for a month, together with related administrative, support, and goods/services costs. JLARC’s anticipated 2021-23 costs are calculated at approximately \$22,100 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	20,000	0	20,000	9,000	9,000
Total \$			20,000	0	20,000	9,000	9,000

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	12,900		12,900	5,800	5,800
B-Employee Benefits	4,100		4,100	1,800	1,800
C-Professional Service Contracts					
E-Goods and Other Services	2,700		2,700	1,200	1,200
G-Travel	300		300	200	200
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 \$	20,000	0	20,000	9,000	9,000

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 2024	FY 2025	2023-25	2025-27	2027-29
Research Analyst	126,694	0.1		0.1		
Support staff	89,671					
Total FTEs		0.1		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.

Individual State Agency Fiscal Note

Bill Number: 5447 S SB	Title: Alternative jet fuel	Agency: 103-Department of Commerce
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.4	1.4	1.4	1.2	1.2
Account					
General Fund-State 001-1	298,585	301,254	599,839	556,822	559,222
Total \$	298,585	301,254	599,839	556,822	559,222

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: Alia Kennedy	Phone: 360-786-7405	Date: 02/09/2023
Agency Preparation: Marla Page	Phone: 360-725-3129	Date: 02/14/2023
Agency Approval: Jason Davidson	Phone: 360-725-5080	Date: 02/14/2023
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 02/14/2023

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 difference between SSB 5447 and the original bill:

Removes Section 4 and renumbers sections 4-16 to 5-15

Section 6 additional language for the office of renewable fuels was added regarding assessing tax incentives and feedstock and removes alternative jet fuel from the report due December 1, 2023.

Summary of the SSB 5447:

Section 4 a new section added to chapter 28B.30 RCW requires the Washington State University (WSU) to convene an Alternative Jet Fuels work group to further the development of alternative jet fuels as a productive industry in the state. The work group must include legislators and sectors involved in alternative jet fuel research, development, production, and utilization. The work group must provide a report including pertinent recommendations to the governor and the appropriate committees of the legislature by December 1, 2024, and December 1st of every even-numbered year until December 1, 2028. The work group expires January 1, 2029.

Section 5 amends RCW 43.330.565 to require the office of renewable fuels (office) within the Department of Commerce (department) to further the development and use of alternative jet fuels as a productive industry in the Washington state.

Section 6 amends RCW 43.330.570 to require the office to review existing renewable fuels, alternative jet fuels, and green electrolytic hydrogen initiatives, policies, and public and private investments, and tax and regulatory incentives, including assessment of adequacy of feedstock supply and in-state feedstock, renewable fuels, and alternative jet fuels production.

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

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.

General Assumptions

The bill would require the office of renewable fuels to further the development and use of alternative jet fuels (AJF) and would require the department to collaborate with a new alternative jet fuels work group to be convened by Washington State University that will report annually.

The department assumes we would need staff to participate in or track the activity of the new alternative jet fuels work group, conduct research, engage with stakeholders, and be involved with related activities regarding alternative jet fuels. This would include new staff capacity within the office of renewable fuels. The department also assumes we would still be conducting policy analysis on a regular basis, and will likely need to hire a contractor for consultation work on this new subject area to further the development and use of alternative fuels estimated costs of \$50,000 per year ongoing.

To accomplish this work the department estimates:

1.0 FTE Senior Energy Policy Specialist (EMS2) (2,088 hours) in FY24-FY29 to engage with the listed stakeholder types on alternative jet fuels (there may be some but limited overlap with the stakeholders already to be coordinated with regarding hydrogen and renewable fuels). Review initiatives specific to AJF. Review and provide input on funding specific to AJF as well as to assess overlap/alignment with funding opportunities related to hydrogen and renewable fuels. Conduct research and analysis of barriers and opportunities specifically related to AJF. There will be some but limited overlap to the barriers and opportunities already in the broader scope of the office. Review tax and regulatory incentives, including assessment of adequacy of feedstock supply and in-state feedstock, renewable fuels, and alternative jet fuels production. Hire and work with contractors as needed to provide specific analysis regarding AJF.

0.10 FTE Senior Energy Policy Specialist (EMS2) (209 hours) in FY24-FY25 o provide expert consultation and work with contractor in furthering the development of alternative fuels research and analytical products.

Salaries and Benefits

FY24: \$175,270

FY25: \$181,033

FY26-FY29: \$164,575 per fiscal year

Professional Service Contract:

One professional service contract (200 hours) in FY24-FY29 for consultation work to consultant industry expert to further the development and use of alternative fuels. The department assumes a rate of \$250 per hour for the professional services contracts.

FY24-FY29: \$50,000 per fiscal year

Goods and Services:

FY24: \$11,619

FY25: \$11,630

FY26-FY29: \$9,691 per fiscal year

Equipment:

In addition to the standard goods and services estimates, the department assumes the purchase of standard workstations for the new staff in FY24 and the purchase of replacement laptops /tablets in FY28 based on the department's replacement cycle.

FY24: \$5,000

FY28: \$2,400

Intra-Agency Reimbursements:

FY24: \$57,664

FY25: \$59,560

FY26-FY29: \$54,145 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: \$298,585

FY25: \$301,254

FY26-FY27: \$278,411 per fiscal year

FY28: \$280,811

FY29: \$278,411

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	298,585	301,254	599,839	556,822	559,222
Total \$			298,585	301,254	599,839	556,822	559,222

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.4	1.4	1.4	1.2	1.2
A-Salaries and Wages	135,125	139,179	274,304	253,052	253,052
B-Employee Benefits	40,145	41,854	81,999	76,098	76,098
C-Professional Service Contracts	50,000	50,000	100,000	100,000	100,000
E-Goods and Other Services	10,651	10,661	21,312	19,382	19,382
G-Travel					
J-Capital Outlays	5,000		5,000		2,400
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	57,664	59,560	117,224	108,290	108,290
9-					
Total \$	298,585	301,254	599,839	556,822	559,222

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
Administrative Services - Indirect	111,168	0.3	0.3	0.3	0.2	0.2
EMS Band 2	122,841	1.1	1.1	1.1	1.0	1.0
Total FTEs		1.4	1.4	1.4	1.2	1.2

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.

Individual State Agency Fiscal Note

Bill Number: 5447 S SB	Title: Alternative jet fuel	Agency: 365-Washington State University
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.1	0.1	0.1	0.1
Account					
General Fund-State 001-1	20,000	20,000	40,000	40,000	40,000
Total \$	20,000	20,000	40,000	40,000	40,000

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.
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- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Alia Kennedy	Phone: 360-786-7405	Date: 02/09/2023
Agency Preparation: Anne-Lise Brooks	Phone: 509-335-8815	Date: 02/14/2023
Agency Approval: Chris Jones	Phone: 509-335-9682	Date: 02/14/2023
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 02/15/2023

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.

S SB 5447 section 4 states that Washington State University must convene an alternative jet fuels work group to further the development of alternative jet fuel as a productive industry in Washington. The work group must include members from the legislature and sectors involved in alternative jet fuel research, development, production, and utilization. The work group must provide a report including any pertinent recommendations to the governor and appropriate committees of the legislature by December 1, 2024, and December 1st of every even-numbered year until December 1, 2028.

WSU estimates the costs associated would be approximately \$20,000 a year.

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.

Costs include salaries and benefits of approximately \$12,845 and operating and travel costs of \$7,155.

For purposes of this fiscal note WSU assumes the following: There would be three meetings per year, and WSU assumes that meetings would be held in the Seattle area (WSU downtown offices or Port of Seattle offices at SeaTac) without costs. These facilities would need to accommodate video conferencing to allow members to attend if not able to travel. It is assumed that travel will be required for WSU personnel into the meeting site. WSU assumes that one travel per year would be needed for an expert in the field. Personnel requirements are included for meeting planning, logistics, facilitation, records, and full bi-annual (odd years) reports. WSU assumes a level engagement with stakeholders and legislature between meeting intervals. This role will be filled by personnel from the Office of Clean Technology.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	20,000	20,000	40,000	40,000	40,000
Total \$			20,000	20,000	40,000	40,000	40,000

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.1	0.1	0.1	0.1
A-Salaries and Wages	9,480	9,480	18,960	18,960	18,960
B-Employee Benefits	3,365	3,365	6,730	6,730	6,730
C-Professional Service Contracts					
E-Goods and Other Services	3,855	3,855	7,710	7,710	7,710
G-Travel	3,300	3,300	6,600	6,600	6,600
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 \$	20,000	20,000	40,000	40,000	40,000

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 2024	FY 2025	2023-25	2025-27	2027-29
Director of Ascent	113,873	0.1	0.1	0.1	0.1	0.1
Total FTEs		0.1	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

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.

Individual State Agency Fiscal Note

Bill Number: 5447 S SB	Title: Alternative jet fuel	Agency: 461-Department of Ecology
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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	581,537	602,867	1,184,404	907,478	907,478
Total \$	581,537	602,867	1,184,404	907,478	907,478

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.3	4.5	4.4	3.5	3.5
Account					
Clean Fuels Program Account-State 25Q-1	581,537	602,867	1,184,404	907,478	907,478
Total \$	581,537	602,867	1,184,404	907,478	907,478

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).
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Legislative Contact: Alia Kennedy	Phone: 360-786-7405	Date: 02/09/2023
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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.

Compared to SB 5447, SSB 5447 makes the following changes related to the Department of Ecology (Ecology):

- Section 3 from the previous bill is removed, which removes the requirement for Ecology to amend the energy economy ratio (EER) for alternative jet fuel (AJF) relative to conventional jet fuel under the cap-and-invest program. This amendment would have been included as part of Ecology's rulemaking conducted for the previous Section 4 (now Section 3); therefore, there is no fiscal impact from removing this requirement.
- Section 4 from the previous bill is now Section 3, and includes clarifying language.
- Sections 9 and 10 from the previous bill are now Sections 10 and 11, and are revised to require that the person applying to claim a credit under these sections must complete an application for the credit that includes documentation sufficient for Ecology to verify that the AJF for which the credit is being claimed meets the carbon intensity reduction benchmarks required under this section, as certified in Section 3 of this act.

The changes in these sections do not change the fiscal impact related to Ecology.

Currently, Ecology administers the Clean Fuels Program, authorized in statute under chapter 70A.535 RCW. Under the Clean Fuel Standard, 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.

This bill would provide opportunities for financial incentives for alternative jet fuel (AJF), also called sustainable aviation fuel (SAF).

Section 1 would add a new section identifying the intent to use Climate Commitment Act (CCA) funds to promote the production and use of SAF.

Section 2 would add a definition for “alternative jet fuel” to RCW 70A.535.010, the Clean Fuel Standard (CFS) statute.

Section 3 would amend chapter 70A.535 RCW to require the Department of Ecology to: Allow one or more carbon intensity pathways for AJF no later than December 31, 2023; to allow biomethane to be claimed as a feedstock for renewable diesel and AJF; and, to notify the Department of Revenue (DOR) within 30 days when one or more AJF facilities capable of producing a cumulative production capacity of at least 20,000,000 gallons of an AJF each year is operating in the state.

Section 9 would establish the eligibility and process for applying for the tax credit within chapter 82.04 RCW (B&O Tax) for manufacturers of AJF.

Section 10 would establish the credit per gallon of AJF and the process for claiming that credit, adding a section to chapter 82.04 RCW (B&O Tax) to require that the person applying to claim a credit under this section must complete an application for the credit that includes documentation sufficient for Ecology to verify that the AJF for which the credit is being claimed meets the carbon intensity reduction benchmarks required under this section, as certified in Section 3 of this act.

Section 11 would establish the credit per gallon of AJF and the process for claiming that credit, adding a section to chapter 82.16 RCW (Public Utility Tax) to require that the person applying to claim a credit under this section must complete an application for the credit that includes documentation sufficient for Ecology to verify that the AJF for which the credit is being claimed meets the carbon intensity reduction benchmarks required under this section, as certified in Section 3 of this act.

Section 14 would make sections 8 through 11 effective July 1, 2024. Section 15 would make sections 1 through 6 effective July 1, 2023.

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 greater than \$50,000 in Fiscal Year (FY) 2024 and ongoing to implement the requirements of section 3.

Section 3 – Fees for Rulemaking, Implementation, and IT Impacts

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 3 of this bill would increase the cost of developing and implementing 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: \$581,537

FY 2025: \$602,867

FY 2026 and ongoing: \$453,739

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 greater than \$50,000 in FY 2024 and ongoing to implement the requirements of section 3.

Section 3(2) – Rulemaking

Section 3(2) would require Ecology to allow biomethane to be claimed as the feedstock for renewable diesel and AJF consistent with that allowable for compressed natural gas, liquified natural gas, liquified compressed natural gas, or hydrogen production.

Ecology assumes rulemaking would be required to update the CFS rule (chapter 173-424 WAC) to implement the changes in section 3(2). Ecology estimates that rulemaking would be moderately complex and generate substantial public interest and input. It would require nineteen months, from July 1, 2023 to February 1, 2025. The rulemaking would include two preproposal meetings to gather input from stakeholders and two public hearings to accept comments on the rule proposal.

0.5 FTE Environmental Planner 3 in FY 2024 and 0.25 FTE in FY 2025 – this position would be the rulemaking lead, coordinating the rulemaking effort.

0.25 FTE Environmental Engineer 6 in FY 2024 and 0.13 FTE in FY 2025 – this position would be the technical lead, advising on rule language and driving the overall policy change of the program.

The following positions would complete an economic and regulatory analysis of the rule: 0.2 FTE Economic Analyst 3 in FY 2025; 0.05 FTE Regulatory Analyst 2 in FY 2025. Ecology would hold one public hearing in FY 2024 and one public hearing in FY 2025 for rulemaking. Goods and services estimates include facility rental costs estimated at \$1,000 per hearing (\$1,000 FY 2024 and \$1,000 FY 2025). The Attorney General’s Office assumes no additional fiscal impact for rulemaking support.

Section 3 – Implementation

Section 3(1) would require Ecology to allow one or more carbon intensity pathways for AJF no later than December 31, 2023. Ecology assumes this could be implemented by December 31, 2023, based on the updated statutory language, without the need for updating the CFS rule. Ecology would also include the update in the CFS rule as part of the rulemaking described above to ensure alignment with the statute.

Currently, Ecology is accepting Tier 1 pathways and fuels pathways certified in Oregon and California. Section 3(1) of this bill would require Ecology to begin accepting Tier 2 pathway applications by December 31, 2023 as opposed to in late CY 2024 as required in current statute. This would require significantly more staff time than the current, already certified pathways.

Adding SAF as a fuel pathway would be complex in nature and add a significant amount of new and ongoing work to the CFS program, as AJF requires using carbon intensity calculators that are not commonly used. We assume Ecology would create and maintain the SAF fuel pathway throughout the length of the CFS program.

Feedback from external stakeholders who have experience in Oregon and California’s programs is that approval of fuel pathways in these markets takes a significant amount of time. Ecology assumes the intent of this bill would be to provide a robust infrastructure in Washington to assess and approve fuel pathways in a timely manner. Section 3 would require Ecology to hire additional staff to accommodate the work of allowing biomethane to be claimed as a feedstock. This staffing need would be ongoing in order to allow Ecology to assess and approve Tier 2 fuel pathways in a timely manner throughout the length of the CFS program. Verifying when a facility is capable of producing at least 20,000,000 gallons of AJF and then notifying DOR of this would also require additional Ecology staff time as this is new work that we are not currently performing.

Ecology would require the following staff time in order to implement the proposed changes:

1.0 FTE Natural Resource Scientist (NRS) 4 in FY 2024 and ongoing – this position would be needed to research and update GHG emissions for transportation fuel pathways, and review and approve innovative fuel pathways based on the updated implementation date associated with the changes in this section. Ecology estimates that the workload associated with complex transportation fuel pathways would significantly increase due to the changes, and this NRS 4 would update carbon intensity lifecycle analysis modeling tools, provide technical support for the development, and provide analysis of verification program and criteria.

1.0 FTE Environmental Specialist (ES) 4 in FY 2024 and ongoing – this position would serve as a senior environmental section specialist to provide guidance and technical assistance to the increased number of program participants, review and process the additional quarterly and annual reports, implement routine program audits and compliance monitoring, and assist with routine review of the increase in complex verifier reports. This position would also undertake market monitoring to

maintain a stable credit price by monitoring the market impacts of this increase in SAF credits.

1.0 FTE ES 5 in FY 2024 and ongoing – this position would serve as an expert program analyst to implement actions, including a study on the policy implications on adding renewable natural gas as a feedstock for AJF and renewable diesel production. Additionally, this position would engage with and provide outreach support for the stakeholder community around the approval of fuel pathways.

Section 3(2) – IT Impacts

Adding biomethane as a feedstock for AJF would require changes to our Alternative Fuel Portal (AFP) IT application. Ecology’s existing IT application currently allows biomethane to be used as a fuel, but would need to be updated to include the use of feedstock to other fuels. Ecology assumes staff time would be required to make this update to the existing tool.

0.25 FTE IT Application Developer – Journey in FY 2025 to update the existing AFP IT application to align with the updated requirements.

Sections 9, 10, and 11 would be completed per and with the resources requested in Section 3.

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

RULEMAKING is estimated to require:

FY 2024: \$127,798 and 0.9 FTEs

FY 2025: \$103,384 and 0.7 FTEs

IMPLEMENTATION is estimated to require:

FY 2024 and ongoing: \$453,739 and 3.5 FTEs

IT IMPACTS is estimated to require:

FY 2025: \$45,744 and 0.3 FTEs

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

FY 2024: \$581,537 and 4.3 FTEs

FY 2025: \$602,867 and 4.5 FTEs

FY 2026 and ongoing: \$453,739 and 3.5 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. Additional Goods and Services costs include rulemaking public hearing costs of \$1,000 in FY 2024 and \$1,000 in FY 2025.

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	581,537	602,867	1,184,404	907,478	907,478
Total \$			581,537	602,867	1,184,404	907,478	907,478

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.3	4.5	4.4	3.5	3.5
A-Salaries and Wages	314,802	326,426	641,228	491,472	491,472
B-Employee Benefits	113,329	117,514	230,843	176,932	176,932
E-Goods and Other Services	20,590	21,243	41,833	31,344	31,344
G-Travel	5,862	6,057	11,919	9,378	9,378
J-Capital Outlays	3,867	3,996	7,863	6,186	6,186
9-Agency Administrative Overhead	123,087	127,631	250,718	192,166	192,166
Total \$	581,537	602,867	1,184,404	907,478	907,478

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
ECONOMIC ANALYST 3	85,020		0.2	0.1		
ENVIRONMENTAL ENGINEER 6	114,360	0.3	0.1	0.2		
ENVIRONMENTAL PLANNER 3	80,952	0.5	0.3	0.4		
ENVIRONMENTAL SPEC 4	73,260	1.0	1.0	1.0	1.0	1.0
ENVIRONMENTAL SPEC 5	80,952	1.0	1.0	1.0	1.0	1.0
FISCAL ANALYST 2		0.4	0.4	0.4	0.3	0.3
IT APP DEV-JOURNEY	100,032		0.3	0.1		
IT APP DEV-JOURNEY (Admin)		0.2	0.2	0.2	0.2	0.2
NAT RESOURCE SCIENTIST 4	91,524	1.0	1.0	1.0	1.0	1.0
REGULATORY ANALYST 2	82,896		0.1	0.0		
Total FTEs		4.3	4.5	4.4	3.5	3.5

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

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.

Rulemaking would be required to implement the changes in section 3. The current Clean Fuels Program Rule (chapter 173-424 WAC) would need to be amended to allow for the use of biomethane as a feedstock for AJF and renewable diesel production.