

Multiple Agency Fiscal Note Summary

Bill Number: 1619 HB	Title: Renewable energy resources
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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 Revenue	0	0	(140,000)	0	0	(200,000)	0	0	(200,000)
Total \$	0	0	(140,000)	0	0	(200,000)	0	0	(200,000)

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	0	0	13,300	.0	0	0	4,400	.0	0	0	4,400
Department of Revenue	.2	72,000	72,000	72,000	.1	18,800	18,800	18,800	.1	18,800	18,800	18,800
Utilities and Transportation Commission	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	0.3	72,000	72,000	85,300	0.1	18,800	18,800	23,200	0.1	18,800	18,800	23,200

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 Revenue	.0	0	0	.0	0	0	.0	0	0
Utilities and Transportation Commission	.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: Cheri Keller, OFM

Phone:
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Date Published:
Revised 3/ 6/2023

Individual State Agency Fiscal Note

Revised

Bill Number: 1619 HB	Title: Renewable energy resources	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					
Performance Audits of Government Account-State 553-1	13,300	0	13,300	4,400	4,400
Total \$	13,300	0	13,300	4,400	4,400

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: Megan McPhaden	Phone: 360-786-7114	Date: 01/26/2023
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 03/02/2023
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 03/02/2023
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 03/06/2023

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 a new sales and use tax preference to promote development of renewable energy infrastructure.

TAX PERFORMANCE STATEMENT DETAILS

SECTION 2 provides a tax preference performance statement that categorizes the preference as intended to induce certain designated behavior by taxpayers, as indicated under RCW 82.32.808(2)(a). The specific public policy objective is stated to promote development of renewable natural gas (RNG) projects in the state.

If a review finds that the total number of methane emission capture projects increase in number over the time of adoption of the exemption and the majority of those projects process the methane into RNG that is sold in Washington, the Legislature intends to extend the expiration date of the preference.

JLARC staff is to access and use any relevant data collected by the state.

REST OF BILL AND TAX PREFERENCE DETAILS

SECTION 3 and 4 create new sections in chapters 82.08 and 82.12 RCW creating the following new preferences, each beginning January 1, 2024:

- A sales/use tax exemption for machinery and equipment used directly in generating RNG, or charges for labor/services rendered to install such machinery and equipment, including but not limited to machinery, equipment, and services for a facility capable of connecting to the existing natural gas infrastructure.
- A sales/use tax exemption for machinery and equipment used directly in connecting an RNG facility to an end user of the RNG or to the existing natural gas infrastructure or labor/services charges rendered for installation of such items.

Definitions are provided. Persons using the preference must file an annual tax preference report with the Department of Revenue. The sections expire January 1, 2035.

SECTION 5 and 6 create a new section in chapter 80.28 and amend RCW 80.28.385 to allow gas companies to construct and maintain certain facilities and projects.

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 and other appropriate agencies or organizations 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 1 audit month.

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 2023-25 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
553-1	Performance Audits of Government Account	State	13,300	0	13,300	4,400	4,400
Total \$			13,300	0	13,300	4,400	4,400

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	8,600		8,600	2,800	2,800
B-Employee Benefits	2,700		2,700	1,000	1,000
C-Professional Service Contracts					
E-Goods and Other Services	1,800		1,800	600	600
G-Travel	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 \$	13,300	0	13,300	4,400	4,400

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.

Department of Revenue Fiscal Note

Bill Number: 1619 HB	Title: Renewable energy resources	Agency: 140-Department of Revenue
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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
General Long-Term Obligations Account Group-State 01 - Taxes 01 - Retail Sales Tax	(40,000)	(100,000)	(140,000)	(200,000)	(200,000)
Total \$	(40,000)	(100,000)	(140,000)	(200,000)	(200,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.1	0.2	0.1	0.1
GF-STATE-State 001-1	61,600	10,400	72,000	18,800	18,800
Total \$	61,600	10,400	72,000	18,800	18,800

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: Megan McPhaden	Phone: 60-786-7114	Date: 01/26/2023
Agency Preparation: Alex Merk-Dyes	Phone: 60-534-1601	Date: 02/03/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/03/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/06/2023

Request # 1619-1-1

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.

CURRENT LAW:

The law provides sales and use tax exemptions for machinery and equipment (M&E) used directly in manufacturing renewable natural gas (RNG) and processing biogas using an anaerobic digester. Labor and services used to install, repair, alter, or improve the M&E are also exempt.

PROPOSAL:

Beginning January 1, 2024, this bill proposes a sales and use tax exemption for M&E, labor and services necessary for the production of RNG to include M&E used directly in connecting a renewable natural gas facility to an end user or the existing natural gas infrastructure.

A taxpayer claiming this new tax preference must file an annual tax performance report.

The exemption expires January 1, 2035.

EFFECTIVE DATE:

The 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.

ASSUMPTIONS:

- Local impacts use the statewide average local sales and use tax rate of 2.92%.
- One new RNG facility connects to the existing natural gas infrastructure every three years. RNG facilities maintain the pipeline connections on a yearly basis.
- The proposed exemption takes effect January 1, 2024, impacting five months of collections in fiscal year 2024.

DATA SOURCES

- U.S. Environmental Protection Agency, pipeline costs and RNG facilities
- Department of Commerce, Energy Promoting RNG in Washington State report

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$40,000 in the five months of impacted collections in fiscal year 2024, and by \$100,000 in fiscal year 2025, the first full year of impacted collections.

This bill also decreases local revenues by an estimated \$20,000 in the five months of impacted collections in fiscal year 2024, and by \$40,000 in fiscal year 2025, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 - (\$ 40)
FY 2025 - (\$ 100)
FY 2026 - (\$ 100)
FY 2027 - (\$ 100)

Request # 1619-1-1

FY 2028 - (\$ 100)

FY 2029 - (\$ 100)

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

FY 2024 - (\$ 20)

FY 2025 - (\$ 40)

FY 2026 - (\$ 40)

FY 2027 - (\$ 40)

FY 2028 - (\$ 40)

FY 2029 - (\$ 40)

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.

ASSUMPTIONS:

Approximately 20 buyers using a certificate.

FIRST YEAR COSTS:

The Department of Revenue (department) will incur total costs of \$61,600 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.36 FTEs.

- Amend one administrative rule.
- Computer system testing, monitoring, and maintenance.

Object Costs - \$22,000.

- Contract computer system programming.

SECOND YEAR COSTS:

The department will incur total costs of \$10,400 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.1 FTEs.

- Attend implementation meetings, monitor reports, prepare statistics, train examiners, and test system changes.
- Conduct audit case reviews and work complex accounts.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$18,800 and include similar activities described in the second-year costs. Time and effort equate to 0.1 FTEs each year.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.1	0.2	0.1	0.1
A-Salaries and Wages	24,400	6,200	30,600	12,400	12,400
B-Employee Benefits	8,100	2,000	10,100	4,000	4,000
C-Professional Service Contracts	22,000		22,000		
E-Goods and Other Services	4,800	1,500	6,300	1,800	1,800
J-Capital Outlays	2,300	700	3,000	600	600
Total \$	\$61,600	\$10,400	\$72,000	\$18,800	\$18,800

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	126,619	0.0		0.0		
EXCISE TAX EX 3	61,632		0.1	0.1	0.1	0.1
MGMT ANALYST4	73,260	0.3		0.2		
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.0		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		0.4	0.1	0.3	0.1	0.1

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

Individual State Agency Fiscal Note

Bill Number: 1619 HB	Title: Renewable energy resources	Agency: 215-Utilities and Transportation Commission
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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: Megan McPhaden	Phone: 360-786-7114	Date: 01/26/2023
Agency Preparation: Amy Andrews	Phone: 360-481-1335	Date: 01/31/2023
Agency Approval: Amy Andrews	Phone: 360-481-1335	Date: 01/31/2023
OFM Review: Tiffany West	Phone: (360) 890-2653	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.

Sections 2-4 change tax preferences for renewable natural gas projects and connected equipment and machinery. UTC assumes this may change the number and nature of gas projects proposed by its regulated companies, but that this will not change workload, since the changes will be absorbed into current UTC processes, and since UTC is undergoing training on these topics as a result of other legislation.

Section 5 adds a section to chapter 80.28 qualifying that gas companies may propose projects that reduce greenhouse gas emissions, and that gas companies may seek recovery of these investments from the UTC. UTC assumes this will not change workload for the reasons explained above regarding sections 2-4.

Section 6 removes the maximum customer charge to retail customers for renewable natural gas program. While this may change the content of company tariffs or filings, UTC assumes this will not change workload for the reasons explained above regarding sections 2-4.

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.

None

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.

Sections 2-6 may change the nature of what UTC reviews. However, UTC assumes this workload will occur through existing processes and therefore does not cause an incremental workload. Therefore, the UTC assumes this bill has no fiscal impact.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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.