

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 6058	<b>Title:</b> Facilitating linkage of Washington's carbon market with the California-Quebec carbon market
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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	Non-zero but indeterminate cost and/or savings. Please see discussion.								
<b>Total \$</b>	0	0	0	0	0	0	0	0	0

## 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
Office of State Treasurer	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of Attorney General	Fiscal note not available											
Department of Ecology	2.6	0	0	1,786,961	9.0	0	0	5,718,615	3.7	0	0	1,785,726
Environmental and Land Use Hearings Office	Fiscal note not available											
<b>Total \$</b>	2.6	0	0	1,786,961	9.0	0	0	5,718,615	3.7	0	0	1,785,726

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Office of Attorney General	Fiscal note not available								
Department of Ecology	.0	0	0	.0	0	0	.0	0	0
Environmental and Land Use Hearings Office	Fiscal note not available								
<b>Total \$</b>	0.0	0	0	0.0	0	0	0.0	0	0

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Lisa Borkowski, OFM	<b>Phone:</b> (360) 742-2239	<b>Date Published:</b> Preliminary 1/12/2024
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 6058	<b>Title:</b> Facilitating linkage of Washington's carbon market with the California-Quebec carbon market	<b>Agency:</b> 090-Office of State Treasurer
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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: Kim Cushing	Phone: (360) 786-7421	Date: 01/06/2024
Agency Preparation: Dan Mason	Phone: (360) 902-8990	Date: 01/09/2024
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 01/09/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/10/2024

## 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.*

SB 6058 facilitates linkage of Washington's carbon market with the California-Quebec carbon market.

There is no fiscal impact to the office.

### 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.*

## 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.*

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 6058	<b>Title:</b> Facilitating linkage of Washington's carbon market with the California-Quebec carbon market	<b>Agency:</b> 461-Department of Ecology
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	5.3	2.6	9.0	3.7
<b>Account</b>					
Climate Investment Account-State 26B-1	0	1,786,961	1,786,961	5,718,615	1,785,726
<b>Total \$</b>	0	1,786,961	1,786,961	5,718,615	1,785,726

### 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: Kim Cushing	Phone: (360) 786-7421	Date: 01/06/2024
Agency Preparation: Cristina Steward	Phone: 564-669-1723	Date: 01/11/2024
Agency Approval: Erik Fairchild	Phone: 360-407-7005	Date: 01/11/2024
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 01/12/2024

## 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.*

Background: In 2021, the Washington Legislature passed the Climate Commitment Act (chapter 70A.65 RCW) which establishes a comprehensive cap-and-invest program to reduce carbon pollution and achieve the greenhouse gas limits set in state law. In 2022, Ecology established rules (chapter 173-446 WAC) to implement the provisions of the program, and in 2023 the first auctions of emissions allowances began. Under RCW 70A.65.210, Ecology is directed to seek to enter into linkage agreements with other jurisdictions, following specified considerations and evaluations before doing so. RCW 70A.65.060 requires Ecology to bring forth agency request legislation if the agency finds that any provision of the chapter prevents linking Washington's cap and invest program with that of any other jurisdiction.

This bill would amend chapter 70A.65 RCW to authorize Ecology to make modifications by rule necessary for linkage with other jurisdictions, authorize Ecology to develop its own greenhouse gas reporting methodologies needed for linkage, and make other technical changes.

Section 1 would amend RCW 70A.65.010 (Definitions) subsections (20) and (27) to allow Ecology to synchronize Washington's compliance periods with those of a linked a jurisdiction and define electricity importers by rule.

Section 2 would amend RCW 70A.65.060 subsection (5) by replacing the requirement for reports every four years with a requirement for reports one year after the end of a compliance period.

Section 3 would amend RCW 70A.65.070 subsection (1)(b) by removing the dates for compliance periods.

Section 4 would amend RCW 70A.65.080 subsection (1)(c) to remove the 25,000 MTCO<sub>2e</sub> minimum threshold for unspecified electricity, and would amend subsection (3) to remove the date for the beginning of the third compliance period

Section 5 would amend RCW 70A.65.100 subsection (6)(a) to change the limit on the number of allowances any covered or opt-in entity can purchase at a given auction from 10 percent of the allowances offered at auction to 25 percent. Subsection (6)(c) would be amended to provide that the 10% general market participant (GMP)-specific holding limit does not apply if we link with a jurisdiction that does not have this limit.

Section 6 would amend various subsections of RCW 70A.65.110 to remove references to compliance period dates.

Section 7 would amend RCW 70A.65.170 subsection (1) by replacing the word "securing" with the term "generating". Subsections (3)(a), (3)(b) and (3)(e) would be amended to increase the number of offset credits that can come from offset projects located on federally recognized Tribal land without increasing the total number of offset credits that can be provided for compliance. Subsection (5)(b) would be amended to clarify that the date restrictions only apply to offset credits issued by Ecology, and that offset credits issued by Ecology must be consistent with offset protocols adopted by Ecology. Subsection (5)(c) would be amended to clarify that offset credits issued by a linked jurisdiction must come from offset projects located in the linked jurisdiction.

Section 8 would amend RCW 70A.65.200 by removing subsection (7), thereby removing Ecology's statutory discretion to reduce the amount of a penalty by reducing the monetary amount of the number of penalty allowances required for failure to submit sufficient allowances by a compliance deadline to cover a covered entity's compliance obligation.

Section 9 would amend RCW 70A.65.310 subsection (1) by removing "four-year" from the reference to compliance periods.

Section 10 would amend RCW 70A.15.2200 (Classification of air contaminant sources) to authorize Ecology to develop its

own greenhouse gas reporting methodologies that may deviate from those required by the United States Environmental Protection Agency (EPA). This change is needed for linkage, because linkage requires continuity among linked markets and the EPA methods are deviating from those of California and Québec. This change would allow Ecology to, by rule, align and update its reporting requirements to be consistent with California.

Section 11 adds a new section providing that this act is not a conflicting measure dealing with the same subject matter as Initiative 2117; but if a court finds that it is, the act is null and void.

Section 12 adds a new section providing that the act takes effect January 1, 2025, only if Initiative 2117 does not pass. If Initiative 2117 passes, this act is null and void.

## **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.*

There is no direct impact to cap-and-invest auction revenue under the proposed bill changes. However, the changes would allow for linkage with the joint California and Québec cap-and invest market. Linkage with this market would have an impact to cash receipts, but too many unknown variables make the impacts to cash receipts indeterminate.

## **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 Fiscal Year (FY) 2025 and ongoing to implement the requirements of sections 1 and 10.

Note: The Governor's 2024 supplemental operating budget proposal includes funding for this proposed legislation (PL LK - Cap-and-Invest Program Linkage).

Timing: Section 12 would make this act take effect January 1, 2025, if Initiative 2117 does not pass, and it would be null and void if Initiative 2117 passes. For purposes of this fiscal note, the fiscal impacts are provided based on a January 1, 2025 effective date.

### **Rulemaking**

Ecology assumes we would conduct rulemaking as authorized under the following sections:

- o Section 1 - RCW 70A.65.010 Definitions – To define electricity importers and synchronize Washington's compliance periods with those of a linked a jurisdiction.
- o Section 10 - RCW 70A.15.2200 Greenhouse Gas Reporting – To allow Ecology to change its current standard of using EPA's reporting methods so that Ecology can create its own reporting methods that align with California.

Ecology estimates that rulemaking would be highly complex and generate substantial public interest and input. It would require an estimated 2 years, from January 1, 2025, to December 31, 2026. This type of rulemaking would include 3 preproposal meetings to gather input from stakeholders and then 3 public hearings to accept comments on the rule proposal.

Rulemaking Lead: Ecology estimates that an Environmental Planner 3 would be required at 0.43 FTE in FY 2025, 0.85 FTE in FY 2026, and 0.43 FTE in FY 2027, to coordinate the rulemaking effort.

Technical Leads: Ecology estimates that an Environmental Engineer 6 would be required at 0.38 FTE in FY 2025, 0.75 FTE



of FY 2026, and 0.38 FTE in FY 2027, to provide expert environmental engineering analysis of possible rule change impacts, provide recommendations for rules associated with linkage involving carbon emissions and thresholds to coincide with California and Quebec markets. An Environmental Planner 5 would be required at 0.25 FTE in FY 2025, 0.5 FTE in FY 2026, and 0.25 FTE in FY 2027, to support planning for rule changes associated with linkage concerning auctions and markets. An Environmental Specialist 5 would be required at 0.12 FTE in FY 2025, 0.25 FTE in FY 2026, and 0.12 FTE in FY 2027, to support rule changes associated with linkage concerning emissions reporting and verification.

Public Outreach Coordinator: Ecology estimates that an Environmental Planner 5 would be required at 0.25 FTE in FY 2025, 0.5 FTE in FY 2026, and 0.25 FTE in FY 2027, to support public engagement and outreach during the rulemaking process.

The following positions would complete an economic and regulatory analysis of the rule: Economic Analyst 3, 0.25 FTE in FY 2026; Regulatory Analyst 2, 0.1 FTE in FY 2026.

Ecology would hold 1 public hearing in FY 2025 and 2 public hearing in FY 2026 for rulemaking. Goods and services estimates include facility rental costs estimated at \$3,100 per hearing.

The Attorney General's Office estimates support to Ecology for rulemaking would require 0.3 FTE of an AAG each year in FY 2025 and FY 2026 (\$73,000 each year).

#### Greenhouse Gas Reporting (Section 10)

Section 10 would amend RCW 70A.15.2200 to authorize Ecology to, by rule, develop its own greenhouse gas reporting methodologies that may deviate from those required by the U.S. EPA, in order to align its reporting with California for linkage.

Linkage with these markets would require an update to the cap-and-invest software and greenhouse gas reporting systems in order to have a reporting metric for Washington that is consistent with California. For greenhouse gas reporting, Ecology currently uses EPA's e-GGRT system, which uses metrics that are incompatible with California's. Diverting from EPA's reporting requirements and system would require Ecology to build a web-based reporting platform. The platform would build on existing Ecology reporting systems and databases.

California created a reporting platform similar to EPA's e-GGRT called CAL e-GGRT. The cost for California to develop CAL e-GGRT, after adjusting for inflation from 2012 to present dollars, was approximately \$3 million, with annual operating/upkeep costs of \$250,000. Ecology estimates similar costs to develop a reporting platform. Ecology assumes the reporting platform would need to be ready when the rule is finalized in order for facilities to report their emissions consistent with Washington's reporting methodology. Ecology estimates development of the reporting platform would cost \$750,000 in FY 2025, \$1.5 million in FY 2026, and \$750,000 in FY 2027. Ecology assumes ongoing maintenance of the reporting platform would begin mid FY 2027 at a cost of \$125,000 and \$250,000 each year beginning in FY 2028 and ongoing.

Ecology is currently contracting work to build the cap-and-invest database (CAID) system which synthesizes data received from Ecology's existing reporting systems. Updating CAID to work with a new Ecology web-based emissions reporting system is estimated by the current contractor to cost \$300,000. Ecology estimates the updates to the CAID system would require \$75,000 in FY 2025, \$150,000 in FY 2026 and \$75,000 in FY 2027.

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

0.5 FTE IT Business Analyst - Senior/Specialist full-time starting mid FY 2025 and 1.0 FTE in FY 2026 and ongoing – This position would provide project management for development and deployment of the reporting platform, conduct business analysis and end-user needs, coordinate with other jurisdictions to ensure successful linkages in the development of the reporting platform, and oversee interactions between the reporting platform and existing reporting systems and databases.

This position would serve as primary contact for systems coordination with the contractor and the quality assurance reviewer.

0.5 FTE IT Application Development – Senior/Specialist full time starting mid FY 2025 and 1.0 FTE in FY 2026 and ongoing - This position would implement coding and application development or installation requirements to support platform integration with existing reporting systems, and would provide ongoing maintenance, support, and validation.

1.5 FTE Environmental Engineer 3 – starting full-time mid FY 2025, 3.0 FTE in FY 2026, and 1.5 FTE in FY 2027 - These positions would support the emissions reporting component of platform development. Support includes technical oversight emissions calculations, inputs, and equipment based on existing EPA regulation for each applicable subpart that pertains to Washington facilities. Positions would also test each subpart emissions for accuracy and consistency with current methods, and would provide trainings and technical assistance to support reporters as they use the new platform.

0.5 FTE Environmental Engineer 2 – starting full-time mid FY 2025 and 1.0 FTE in 2026 and ongoing - This position would review electricity sector emissions reports, for accuracy of electricity sector verifier findings, and ensure emissions reports are submitted timely.

0.12 FTE Environmental Planner 2 – starting full-time mid FY 2025 and 0.25 FTE in FY 2026 and ongoing - This position would be housed in the Auction and Markets section and would review and update incoming system reports from market participants in the cap- and-invest program, verify the accuracy of information on individuals representing market participants, and answer questions from market participants.

SUMMARY: The expenditure impact to Ecology under this bill is summarized below.

#### RULEMAKING (Sections 1 to 7, and 10)

FY 2025: \$350,472 and 1.7 FTE

FY 2026: \$688,355 and 3.7 FTE

FY 2027: \$274,372 and 1.7 FTE

#### GHG REPORTING (Section 10)

FY 2025: \$1,436,489 and 3.6 FTE

FY 2026: \$2,872,971 and 7.2 FTE

FY 2027: \$1,882,917 and 5.5 FTE

FY 2028: \$892,863 and 3.7 FTE

FY 2029: \$892,863 and 3.7 FTE

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

FY 2025: \$1,786,961 and 5.3 FTE

FY 2026: \$3,561,326 and 10.9 FTE

FY 2027: \$2,157,289 and 7.1 FTE

FY 2028: \$892,863 and 3.7 FTE

FY 2029: \$892,863 and 3.7 FTE

Notes on costs by object:

Salary estimates are current biennium actual rates at Step L.

Benefits are the agency average of 34.1% of salaries.

Contracts to create a GHG emission reporting platform and update the CAID system are estimated to require \$823,000 in FY 2025, \$1,650,000 in FY 2026 and \$823,000 in FY 2027. Ongoing system maintenance is estimated to be \$150,000 starting mid FY 2025 \$125,000 and \$250,000 each year beginning in FY 2028 and ongoing.

Goods and Services are the agency average of \$6,048 per direct program FTE. In addition, rulemaking meeting costs are estimated at \$3,100 in FY 2025 and \$6,200 in FY 2026, and AAG costs are estimated at \$73,000 in FY 2025 and \$73,000 in FY 2026.

Travel is the agency average of \$2,205 per direct program FTE.

Equipment is the agency average of \$1,286 per direct program FTE.

Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 29.8% 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
26B-1	Climate Investment Account	State	0	1,786,961	1,786,961	5,718,615	1,785,726
<b>Total \$</b>			0	1,786,961	1,786,961	5,718,615	1,785,726

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		5.3	2.6	9.0	3.7
A-Salaries and Wages		483,998	483,998	1,660,539	703,040
B-Employee Benefits		165,043	165,043	566,244	239,736
C-Professional Service Contracts		825,000	825,000	2,600,000	500,000
E-Goods and Other Services		103,618	103,618	173,700	39,312
G-Travel		10,036	10,036	34,454	14,332
J-Capital Outlays		5,852	5,852	20,097	8,360
9-Agency Administrative Overhead		193,414	193,414	663,581	280,946
<b>Total \$</b>	0	1,786,961	1,786,961	5,718,615	1,785,726

#### 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	95,627				0.1	
ENVIRONMENTAL ENGINEER 2	91,073		0.5	0.3	1.0	1.0
ENVIRONMENTAL ENGINEER 3	105,612		1.5	0.8	2.3	
ENVIRONMENTAL ENGINEER 6	128,628		0.4	0.2	0.6	
ENVIRONMENTAL PLANNER 2	72,923		0.1	0.1	0.3	0.3
ENVIRONMENTAL PLANNER 3	86,716		0.4	0.2	0.6	
ENVIRONMENTAL PLANNER 5	105,612		0.5	0.3	0.8	
ENVIRONMENTAL SPEC 5	95,387		0.1	0.1	0.2	
FISCAL ANALYST 2			0.5	0.2	0.8	0.3
IT APP DEVELOPMENT-SR/SPEC	124,071		0.5	0.3	1.0	1.0
IT APP DEV-JOURNEY			0.2	0.1	0.4	0.2
IT BUSINESS ANALYST-SR/SPEC	118,145		0.5	0.3	1.0	1.0
REGULATORY ANALYST 2	88,798				0.1	
<b>Total FTEs</b>			5.3	2.7	9.0	3.7

#### 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.*

Ecology would conduct rulemaking to amend the Climate Commitment Act program rules under chapter 173- 446 WAC as authorized under sections 1 and 10.