

Multiple Agency Fiscal Note Summary

Bill Number: 6016 SB	Title: Green energy community fund
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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	0	(2,500,000)	(2,500,000)	830,000	(6,750,000)	(6,750,000)	2,250,000
Total \$	0	0	0	(2,500,000)	(2,500,000)	830,000	(6,750,000)	(6,750,000)	2,250,000

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI	Fiscal note not available					
Local Gov. Other	Fiscal note not available					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of State Treasurer	Fiscal note not available											
Department of Revenue	.6	430,500	430,500	430,500	.4	78,700	78,700	78,700	.2	39,800	39,800	39,800
Total \$	0.6	430,500	430,500	430,500	0.4	78,700	78,700	78,700	0.2	39,800	39,800	39,800

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	Fiscal note not available								
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

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	Fiscal note not available								
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	Fiscal note not available								
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Breakout

This preliminary package is incomplete. Other impacted agencies' fiscal ntoes will be distributed as soon as possible.

Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Preliminary 1/16/2024
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Department of Revenue Fiscal Note

Bill Number: 6016 SB	Title: Green energy community fund	Agency: 140-Department of Revenue
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 35 - Public Utilities Tax				(2,500,000)	(6,750,000)
NEW-State 00 - 00 -				3,330,000	9,000,000
Total \$				830,000	2,250,000

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	1.1	0.6	0.4	0.2
Account					
GF-STATE-State 001-1	10,900	419,600	430,500	78,700	39,800
Total \$	10,900	419,600	430,500	78,700	39,800

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:

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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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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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Capital budget impact, complete Part IV.

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Requires new rule making, complete Part V.

Legislative Contact: Adam Brunmeier	Phone: (360) 786-7357	Date: 01/09/2024
Agency Preparation: Alex Merk-Dyes	Phone: (360) 534-1601	Date: 01/15/2024
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 01/15/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/16/2024

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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.

CURRENT LAW:

The law does not provide a tax credit for contributions to a Green Energy Community account.

PROPOSAL:

This bill proposes a new business and occupation (B&O) and public utility tax credit for public utilities (PU) that build a new renewable energy project within a school district's boundaries and contribute to the Green Energy Community Account.

A PU is a light and power business with a renewable energy project located within school district boundaries. A renewable energy project is a facility constructed after the effective date of this bill used by a PU to generate electricity from wind or solar power. The facility also could be used to store electrical energy.

Before contributing to the Green Energy Community Account, PUs must apply to the Department of Revenue (department) for tax credits. The application must contain the following:

- Proposed contribution amount.
- Renewable energy project details.
- School district or nonprofit organization receiving the contribution.
- Other information required by the department to determine eligibility.

The department must rule on the application within 45 days and approve it on a first-in-time basis. The PU must submit the application between January 1 and July 1 for contributions made during the calendar year. However, the department may extend the deadline if the PU doesn't contribute by October 1 and forfeits all tax credits for the approved application. The PU must make the total approved contribution to the department by October 1 of the calendar year the department approves the application.

The credit limit is 75% of the approved contribution, up to \$250,000 per utility per year. The statewide annual credit cap is \$5 million. Credits are not refundable.

PUs may earn credit for contributions made on or after January 1, 2025, and on or before December 31, 2034. PUs may claim credits on tax returns filed for reporting periods beginning on or after January 1, 2026, and ending on or before December 31, 2035. PUs may not claim credits on tax returns filed for reporting periods beginning on or after January 1, 2036. Electronic filing is required.

The bill creates the Green Energy Community Account kept by the State Treasurer. All contributions, donations, federal funds, and legislative appropriations must be deposited into the account and do not require an appropriation. Each quarter, the State Treasurer must distribute account money deposited the previous quarter to each school district and/or nonprofit organization designated to receive funds. The department must notify the State Treasurer of the amount and designated recipients.

EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session; however, due to the time it will take to program this bill's changes, the department cannot implement the bill until July 1, 2025.

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

- This bill takes effect June 4, 2024. The first use of the credit begins after January 1, 2026. The qualifying utilities will use their maximum credit in fiscal year 2026.
- The department will implement on July 1, 2025, and begin accepting applications and contributions at that time. Therefore, the impact of the contributions begins in fiscal year 2026.
- Investor-owned utilities are not eligible.
- To qualify, a constructed facility means a facility that is operationally complete and running.
- All of Washington is geographically located within a school district.
- Two known PU-owned renewable energy (RE) storage facilities exist in Washington, Arlington Microgrid by Snohomish PUD and Decatur Island by Orcas Power and Light Cooperative (OPALCO).
- The largest PUs with more resources and customers will most likely participate.
- Three PUs will construct qualifying RE projects and apply before October 1, 2025. Each will receive the maximum annual benefit of \$250,000 and continue to make the maximum contribution annually. Each year, PUs will complete an additional three to five projects.
- PUs may consider smaller projects that take less time to construct to capitalize on this credit leading to faster usage of the credit to the maximum annual amount of \$5 million. Larger projects take longer to plan and construct. Larger project impacts would be seen in later fiscal years.
- The total maximum credit allowed is \$5 million annually.
- All credit amounts will go towards PU taxes.
- Qualifying PUs will contribute the minimum amount to obtain the maximum tax credit.
- The NEW fund is the Green Energy Community account.
- The NEW source is contributions from public utilities.
- The Office of the State Treasurer's fiscal note reflects the distribution of the funds to the school districts and nonprofits.

DATA SOURCES

- Department of Revenue, Excise tax data
- Office of Superintendent of Public Instruction, School district data
- Department of Commerce, Electric utilities data
- Snohomish PUD, Energy storage data
- OPALCO, Decatur Island data
- Rea, J and Ugwu-Oju, O (2022, August 25). Why Purchased Power is Such a Big Deal to Better Understand U.S. Utilities' Climate Impact. Rocky Mountain Institute.
<https://rmi.org/why-purchased-power-is-such-a-big-deal-to-better-understand-us-utilities-climate-impact/>

REVENUE ESTIMATES

This bill increases state revenues by an estimated \$250,000 in fiscal year 2026, and by \$580,000 in fiscal year 2027.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$	0
FY 2025 -	\$	0
FY 2026 -	\$	250
FY 2027 -	\$	580
FY 2028 -	\$	920

FY 2029 - \$ 1,330

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

ASSUMPTIONS:

This legislation will affect 50 utilities.

FIRST YEAR COSTS:

The department will incur total costs of \$10,900 in fiscal year 2024. These costs include:

- Labor Costs – Time and effort equate to 0.09 FTE.
- Create a Special Notice to inform businesses of the new program.
- Update the department’s website and other information.

SECOND YEAR COSTS:

The department will incur total costs of \$419,600 in fiscal year 2025. These costs include:

- Labor Costs – Time and effort equate to 1.06 FTEs.
- Set up, program, and test computer system changes for a new contribution system, including registration, receiving payments, and distribution of funds collected.
- Create a new application for the utilities to provide information about the proposed project, the contribution amount, and the contribution recipient.
- Create new B&O and PUT credits with individual and program caps.
- Receive and approve or deny credit applications.
- Receive contributions from utilities.
- Monitor individual and program caps.

Object Costs - \$271,200.

- Contract computer system programming.

THIRD YEAR COSTS:

The Department will incur total costs of \$58,800 in fiscal year 2026. These costs include:

- Labor Costs – Time and effort equate to 0.5 FTE.
- Receive and approve or deny credit applications.
- Monitor individual and program caps.
- Receive contributions from utilities.
- Process returns, payments, and all associated work items, including issuing assessments for return errors and underpayments.
- Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.

FOURTH YEAR COSTS:

Ongoing costs for fiscal year 2027 equal \$19,900 and include similar activities described in the third-year costs. Time and effort equate to 0.2 FTE.

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Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	1.1	0.6	0.4	0.2
A-Salaries and Wages	6,800	94,200	101,000	50,400	25,600
B-Employee Benefits	2,200	31,100	33,300	16,600	8,400
C-Professional Service Contracts		271,200	271,200		
E-Goods and Other Services	1,300	15,800	17,100	8,800	4,600
J-Capital Outlays	600	7,300	7,900	2,900	1,200
Total \$	\$10,900	\$419,600	\$430,500	\$78,700	\$39,800

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	131,684		0.0	0.0		
EMS BAND 5	153,836		0.0	0.0		
EXCISE TAX EX 3	64,092		0.1	0.1	0.3	0.2
IT B A-JOURNEY	91,968		0.4	0.2	0.1	
IT SYS ADM-JOURNEY	96,552		0.3	0.2		
MGMT ANALYST4	76,188		0.0	0.0		
TAX POLICY SP 2	78,120	0.1	0.0	0.0		
TAX POLICY SP 3	88,416	0.0	0.1	0.1		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 2	98,456	0.0	0.1	0.1		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs		0.1	1.1	0.6	0.4	0.2

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

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

Should this legislation become law, the department will use the standard process to adopt one new rule under chapter 458-20 RCW. The department will use the expedited rulemaking process to amend WAC 458-20-179, titled: "Public utility tax." Persons affected by this rulemaking would include utilities, school districts, and nonprofit organizations that service

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communities where the renewable energy projects are located.