

Multiple Agency Fiscal Note Summary

Bill Number: 2376 HB	Title: CCA public entity oblig.
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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	(153,341)	0	0	(920,622)	0	0	(1,868,561)
Total \$	0	0	(153,341)	0	0	(920,622)	0	0	(1,868,561)

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Utilities and Transportation Commission	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Ecology	.6	0	0	177,397	.4	0	0	132,237	.0	0	0	0
Total \$	0.6	0	0	177,397	0.4	0	0	132,237	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									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Utilities and Transportation Commission	.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

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Lisa Borkowski, OFM	Phone: (360) 742-2239	Date Published: Final 1/30/2024
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Individual State Agency Fiscal Note

Bill Number: 2376 HB	Title: CCA public entity oblig.	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: Jacob Lipson	Phone: 360-786-7196	Date: 01/16/2024
Agency Preparation: Kim Anderson	Phone: 360-664-1153	Date: 01/19/2024
Agency Approval: Kim Anderson	Phone: 360-664-1153	Date: 01/19/2024
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 01/22/2024

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.

Section 1 – UTC assumes no fiscal impact. The UTC regulates private, investor-owned gas utilities and gas pipeline safety under RCW 81.88. The provisions of this bill affect the Department of Ecology and municipal gas utilities subject to the provisions of chapter 35.92 RCW. Revisions to RCW 70A.65 provide exceptions under (1)(a)(ii), (1)(b)(ii), (2)(b)(ii), and (2)(a)(i) and (ii) and include provisions for an annual decline in allowances at no cost by two percent each year relative to the municipal gas utility’s allocation baseline.

Section 2 – UTC assumes no fiscal impact as the provision relates to public entities regulated under 70A.65 RCW and information subject to RCW 70A.65.100(9).

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.

UTC assumes no fiscal impact. The UTC regulates private, investor-owned gas utilities and gas pipeline safety under RCW 81.88. The provisions of this bill affect the Department of Ecology and municipal gas utilities subject to the provisions of chapter 35.92 RCW. Revisions to RCW 70A.65 provide exceptions under (1)(a)(ii), (1)(b)(ii), (2)(b)(ii), and (2)(a)(i) and (ii) and include provisions for an annual decline in allowances at no cost by two percent each year relative to the municipal gas utility’s allocation baseline.

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.

None.

Individual State Agency Fiscal Note

Bill Number: 2376 HB	Title: CCA public entity oblig.	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
Climate Investment Account-State 26B-1		(153,341)	(153,341)	(920,622)	(1,868,561)
Total \$		(153,341)	(153,341)	(920,622)	(1,868,561)

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	1.2	0.6	0.4	0.0
Account					
Climate Investment Account-State 26B-1	0	177,397	177,397	132,237	0
Total \$	0	177,397	177,397	132,237	0

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: Jacob Lipson	Phone: 360-786-7196	Date: 01/16/2024
Agency Preparation: Cristina Steward	Phone: 564-669-1723	Date: 01/25/2024
Agency Approval: Erik Fairchild	Phone: 360-407-7005	Date: 01/25/2024
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 01/30/2024

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.

Currently, Ecology runs the cap-and-invest program under chapter 70A.65 RCW, which caps greenhouse gas emissions within the state, creates a market for the sale of greenhouse gas emissions allowances, and requires companies to acquire allowances equal to their emissions. Currently RCW 70A.65.130 allows natural gas utilities to be provided allowances at no cost to cover their emissions, with a decline in the no cost allowances at a percentage proportional to the general cap decline rate, currently 7% per year for the first 2 compliance periods.

Section 1 of this bill would slow the decline of no-cost allowances provided to municipal natural gas utilities, changing the decline rate from 7% to 2% per year. This change would increase the number of no-cost allowances removed the total pool of allowances available for auction.

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 estimated to be a reduction greater than \$50,000 in Fiscal Year (FY) 2025 and ongoing for revenue under section 1.

Section 1 would change the decline rate of no-cost allowances provided to municipal natural gas utilities from 7% to 2%, increasing the number of no cost allowances provided to such utilities compared to current law. This would reduce the number of state-owned allowances sold in cap-and-invest program auctions, which would result in a reduction to cap-and-invest program revenue.

For purposes of estimating the revenue impact, Ecology adjusted revenue projections for the CCA accounts by decreasing state-owned allowances sold and increasing the number of no cost allowances given, from the pool of total allowances.

The additional no cost allowances created by this bill are projected to be 3,182 in FY 2025, 6,364 in FY 2026, 9,545 in FY 2027, 12,727 in FY 2028, and 15,908 in FY 2029. Allowance cost projections are \$48.19 in FY 2025, \$56.62 in FY 2026, \$58.70 in FY 2027, \$62.81 in FY 2028 and \$67.21 in FY 2029.

The revenue impact to Ecology is calculated by multiplying the annual change in no-cost allowance allocation to municipal natural gas utilities (from 7% to 2%) by the projected market price for the corresponding fiscal year. The revenue reduction is assumed to occur in the Climate Investment Account.

Ecology estimates the reduction in cap-and-invest program revenue would be:

FY 2025: \$153,341
FY 2026: \$360,330
FY 2027: \$560,292
FY 2028: \$799,383
FY 2029: \$1,069,178

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 FY

2026 to implement the requirements of sections 1.

Section 1 would require Ecology to amend WAC 173-446-240 to update the decline rate of no-cost allowances provided to municipal natural gas utilities from 7% to 2%, and account for changes to RCW 70A.65.130.

Ecology estimates that rulemaking would be moderately complex and generate substantial public interest and input. It would require eighteen months, from July 1, 2025, to December 31, 2026.

This type of rulemaking would include 2 preproposal meetings to gather input from stakeholders and develop the Environmental Justice Assessment and then 2 public hearings to accept comments on the rule proposal.

Rulemaking Lead: Ecology estimates that Environmental Planner 3 would spend 0.5 FTE in FY 2025 and 0.25 FTE in FY 2026 coordinating the rulemaking effort.

Technical Lead: Ecology estimates that Environmental Engineer 6 would spend 0.25 FTE in FY 2025 and 0.12 FTE in FY 2026 to support review and implementation of expected policy changes and coordination of rule changes.

Public Outreach Coordinator: Ecology estimates that Environmental Specialist 3 would spend 0.25 FTE in 2025 and 0.12 FTE in FY 2026 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, 0.2 FTE in FY 2026; Regulatory Analyst 2, 0.05 FTE in FY 2026.

Ecology would hold 1 public hearings in FY 2025 and 1 public hearing in FY 2026 for rulemaking. Goods and services estimates include facility rental costs estimated at \$4,000 per hearing.

SUMMARY

Rulemaking is estimated to require:

FY 2025: \$177,397 and 1.2 FTEs

FY 2026: \$132,237 and 0.9 FTEs

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.

Goods and Services are the agency average of \$6,048 per direct program FTE. Also included are meeting costs of \$4,000 in FY 2025 and \$4,000 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	177,397	177,397	132,237	0
Total \$			0	177,397	177,397	132,237	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.2	0.6	0.4	
A-Salaries and Wages		94,137	94,137	69,618	
B-Employee Benefits		32,101	32,101	23,740	
E-Goods and Other Services		10,048	10,048	8,476	
G-Travel		2,205	2,205	1,632	
J-Capital Outlays		1,287	1,287	951	
9-Agency Administrative Overhead		37,619	37,619	27,820	
Total \$	0	177,397	177,397	132,237	0

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 6	128,628		0.3	0.1	0.1	
ENVIRONMENTAL PLANNER 3	86,716		0.5	0.3	0.1	
ENVIRONMENTAL SPEC 3	74,489		0.3	0.1	0.1	
FISCAL ANALYST 2			0.1	0.1	0.0	
IT APP DEV-JOURNEY			0.1	0.0	0.0	
REGULATORY ANALYST 2	88,798				0.0	
Total FTEs			1.2	0.6	0.4	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.

Section 1 would require Ecology to amend WAC 173-446-240 to update the decline rate of no-cost allowances provided to municipal natural gas utilities from 7% to 2%, and account for changes to RCW 70A.65.130.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2376 HB

Title: CCA public entity oblig.

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

Legislation Impacts:

Cities: Cities that own and operate a natural gas utility may see both increases and decreases in revenue and expenditures

Counties:

Special Districts:

Specific jurisdictions only:

Variance occurs due to:

Part II: Estimates

No fiscal impacts.

Expenditures represent one-time costs:

Legislation provides local option:

Key variables cannot be estimated with certainty at this time: Revenues received from the sale of no-cost allowances. Costs for activities that reduce GHG emissions.

Estimated revenue impacts to:

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

Estimated expenditure impacts to:

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

Part III: Preparation and Approval

Fiscal Note Analyst: Kristine Williams	Phone: (564) 669-3002	Date: 01/19/2024
Leg. Committee Contact: Jacob Lipson	Phone: 360-786-7196	Date: 01/16/2024
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/19/2024
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 01/21/2024

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill would amend regulatory obligations of municipal gas utilities under the Climate Commitment Act.

Section 1 amends RCW 70A.65.130 subsection (1) to require the Department of Ecology to adopt rules which would decrease the rate of decline in emission allowances for city-owned natural gas utilities to 2% per year, relative to the utility's allocation baseline, beginning in 2025. Subsection (2) is amended to lower the percentage increase of allowances consigned to auction to 2% each year until a total of 100% is reached, beginning in 2025.

Section 2 amends RCW 42.30.110 to grant public entities governed under the greenhouse gas emissions cap and invest program the authority to consider financial, proprietary, or other market sensitive information in an executive session during a regular or special meeting.

B. SUMMARY OF EXPENDITURE IMPACTS

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

This legislation would have an indeterminate impact on local government expenditures.

Extending the period of compliance would spread the capital and operating expenses related to reducing greenhouse gas emissions (GHG) over a longer period time. In the near term, the annual expenditures associated with reducing GHG emissions may decrease. However, the cumulative expenditures could also increase as costs for the activities that reduce emissions might increase over time. The increase or decrease in expenditures cannot be predicted in advance.

C. SUMMARY OF REVENUE IMPACTS

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

This legislation would have an indeterminate impact on local government revenues.

Natural gas utilities are required to consign at least 65% of their no cost allowances beginning in 2023. Under current law, this minimum increases by 5% each year until 2030 and remains at 100% until 2050. Consigned allowances are sold on behalf of the utility at regularly scheduled, quarterly auctions hosted by the Department of Ecology; Ecology then returns that revenue to the consigning utility. The law requires that revenue generated through consignment be used for the benefit of ratepayers.

There are two city-owned natural gas utilities that receive no-cost allowance allocations: the City of Ellensburg and the City of Enumclaw. This bill would increase the number of no-cost allowances which can be utilized by these utilities by two means: 1) reducing the rate of annual decline in the provision of no-cost allowances to 2% per year (the current rate of decline in allowances provided is 7% each year) and 2) lowering the percentage of allowances that must be consigned to auction to a 2% increase each year (the current rate of increase is 5% each year). These changes would go into effect in 2025.

The net effect would be to extend the period for city-owned natural gas utilities to reach 100% compliance by seven years (to 2037). Revenues for these utilities could go up or down depending on market activity and cannot be predicted in advance.

SOURCES

Association of Washington Cities (AWC)