

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2417 HB	<b>Title:</b> Renewable energy loans
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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
Office of State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Commerce	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 Commerce	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	0.0	0	0	0	0.0	0	0	0	0.0	0	0	0

## 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 Commerce	.9	1,321,486	1,321,486	1.0	2,322,640	2,322,640	1.0	2,322,640	2,322,640
Department of Commerce	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
<b>Total \$</b>	0.9	1,321,486	1,321,486	1.0	2,322,640	2,322,640	1.0	2,322,640	2,322,640

# Estimated Capital Budget Breakout

Agency Name	2023-25	2025-27	2027-29
	Total	Total	Total
Department of Commerce			
Other	1,000,000	2,000,000	2,000,000
Staff	321,486	322,640	322,640
In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.			
<b>Total \$</b>	<b>1,321,486</b>	<b>2,322,640</b>	<b>2,322,640</b>

<b>Prepared by:</b> Myra Baldini, OFM	<b>Phone:</b> (360) 688-8208	<b>Date Published:</b> Preliminary 1/31/2024
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2417 HB	<b>Title:</b> Renewable energy loans	<b>Agency:</b> 090-Office of State Treasurer
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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:**

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: Dawn Eychaner	Phone: 360-786-7135	Date: 01/23/2024
Agency Preparation: Dan Mason	Phone: (360) 902-8990	Date: 01/23/2024
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 01/23/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/23/2024

## 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.*

HB 2417 creates the development of renewable energy for Washington revolving loan account and allows the account to retain its earnings from investments.

### 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.*

Projected cash flows are currently unavailable; therefore, estimated earnings from investments are indeterminable.

### 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> 2417 HB	<b>Title:</b> Renewable energy loans	<b>Agency:</b> 103-Department of Commerce
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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:

NONE

### Estimated Capital Budget Impact:

	2023-25		2025-27		2027-29	
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Pre-design/Design	0	0	0	0	0	0
Construction	0	0	0	0	0	0
Grants/Loans	0	0	0	0	0	0
Staff	0	321,486	161,320	161,320	161,320	161,320
Other	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Total \$</b>	<b>0</b>	<b>1,321,486</b>	<b>1,161,320</b>	<b>1,161,320</b>	<b>1,161,320</b>	<b>1,161,320</b>

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

*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: Dawn Eychaner	Phone: 360-786-7135	Date: 01/23/2024
Agency Preparation: Joseph Piper	Phone: 360-725-3042	Date: 01/31/2024
Agency Approval: Joseph Piper	Phone: 360-725-3042	Date: 01/31/2024
OFM Review: Myra Baldini	Phone: (360) 688-8208	Date: 01/31/2024

## 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.*

New Section 1 directs the State Energy Office to make loans to public and private entities to develop projects that will implement WA's clean energy economy goals. Eligible projects include: electric or hydrogen vehicle fleets, charging, or refueling stations; siting evaluations and permitting for energy generation or transmission projects, installation of solar, wind, geothermal, or hydrogen infrastructure to assist with supplying the underlying applicant's energy needs; buildout of advanced nuclear reactor technology including small modular reactors; and promoting decarbonization of an applicant's facility. It also specifies that payments of principal and interest on loans must be deposited into the account created in Sec 2.

New Section 2 creates the Development of Renewable Energy for Washington Revolving Loan Account. It is to include appropriations and transfers by the legislature; bond proceeds; federal funds, grants, and other forms of financial assistance; payment of principal and interest on loans awarded. Expenditures can be used for loan awards and can only be spent after appropriation. It also directs the Department of Commerce (the department) to maintain separate accounting for any federal funds in the account.

Section 3 amends RCW 43.84.092 to allow the account created in Section 2 to receive interest earned based on the account's and fund's average daily balance for the period.

Section 4 amends RCW 43.84.092 to allow the account created in Section 2 to receive interest earned based on the account's and fund's average daily balance for the period.

Section 5 amends RCW 43.84.092 to allow the account created in Section 2 to receive interest earned based on the account's and fund's average daily balance for the period.

New Section 6 States that Sec 3 expires 7/1/24 and that Sec 4 expires 7/1/28.

New Section 7 States that Sec 4 takes effect 7/1/24 and that Sec 5 takes effect 7/1/28.

New Section 8: Makes the bill subject to appropriation.

### 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.*

Indeterminate. Per Section 1 of the bill, payments of principal and interest on loans must be deposited into the Development of Renewable Energy for Washington Revolving Loan Account created in Section 2 of the bill. Since the total appropriation is unknown, it is not possible to estimate the interest that could be earned. In addition, the interest rate of the loans is not specified in this bill. Given the diversity of projects that could be supported with loans, it is also not possible to estimate a reasonable average loan term nor a rate of default.

### 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.*

None.

### 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

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
057-1	State Building Construction Account	State	0	1,321,486	1,321,486	2,322,640	2,322,640
<b>Total \$</b>			0	1,321,486	1,321,486	2,322,640	2,322,640

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29	
FTE Staff Years		1.8	0.9	1.0	1.0	
A-Salaries and Wages		164,386	164,386	169,886	169,886	
B-Employee Benefits		58,228	58,228	62,244	62,244	
C-Professional Service Contracts		1,000,000	1,000,000	2,000,000	2,000,000	
E-Goods and Other Services		25,632	25,632	14,138	14,138	
G-Travel						
J-Capital Outlays						
M-Inter Agency/Fund Transfers						
N-Grants, Benefits & Client Services						
P-Debt Service						
S-Interagency Reimbursements						
T-Intra-Agency Reimbursements		73,240	73,240	76,372	76,372	
9-						
<b>Total \$</b>		0	1,321,486	1,321,486	2,322,640	2,322,640

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.



**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

Construction Estimate	FY 2024	FY 2025	2023-25	2025-27	2027-29
Predesign/Design					
Construction					
Grants/Loans					
Staff		321,486	321,486	322,640	322,640
Other		1,000,000	1,000,000	2,000,000	2,000,000
<b>Total \$</b>		1,321,486	1,321,486	2,322,640	2,322,640

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Budget Analyst 4	91,068		0.1	0.1	0.1	0.1
Commerce Specialist 4	84,518		0.8	0.4	0.6	0.6
Commerce Specialist 5	98,040		0.1	0.1	0.1	0.1
EMS Band 2	126,529		0.2	0.1		
Fiscal Analyst 4	76,607		0.5	0.3	0.2	0.2
WMS Band 3	142,511		0.1	0.1		
<b>Total FTEs</b>			1.8	0.9	1.0	1.0

The capital budget impacts of this program are indeterminate since the bill does not establish a funding level.

**Section 1:**

The department assumes that the revolving loan program would be funded in the capital budget in Fiscal Year (FY) 2025 but the amount of funding for this program is unknown at this time. Some of the complex projects eligible for loans would require multiple years to construct. Repayment would begin with commercial operation and continue over a repayment period of 10 or more years. Repayment amounts would be made available for new loans. For the purposes of this fiscal note, the department assumes that funding would be available through at least the FY28-FY29 biennium. The potential number of loans that could be executed will depend both on the funding appropriated and the level of public and private interest in obtaining loans for the eligible projects. We could see numerous entities express interest across every type of eligible project or only a single entity seeking a loan to work on a single eligible technology.

For this exercise we assume a funding amount of \$100 million.

Commerce has experience administering other loan programs, such as the Home Rehabilitation Loan Program (HRLP) created in ESB 5647 (2017) and amended in SHB 1250 (2023). For HRLP, the department provides funding to Community Action Partnership (CAP) entities and they complete all eligibility including the required lending documentation. The department is the loan servicer after a project is complete and the department is the lien holder for all loans provided. Therefore when a loan is paid off the department does the reconveyance in order to take the lien off. Given the complexity of the revolving loan program proposed in this bill, Commerce would plan to contract with a lender qualified to administer complex, high value loans. This entity will need to be able to originate loans including creating term sheets, performing audits, and conducting legal review. Commerce estimates that the loans would require a 1% servicing fee per year so a contract of approximately \$5 million for FY 25-29. (An alternative assumption would be that the borrower pays an origination fee.)

The use of state funds for a revolving loan fund presents complex legal questions. The department assumes 80 hours of legal analysis would be required during the development of the program. This estimate does not include any legal defense costs if the bill were to be challenged.

Below is the estimated potential startup and ongoing program administrative costs for the department to launch and maintain

a revolving loan program of \$100 million. The estimated administrative costs below may be lower if the amount of funding is less than assumed in this estimate.

Section 1:

0.8 FTE Commerce Specialist 3 (1,670 hours) in FY25 to develop, solicit, originate, and begin to manage a contract with a lender qualified to administer loans of the nature described in the bill. This staffing need decreases to 0.6 FTE Commerce Specialist 3 (1,252 hours) in FY26-29 to manage the contract with the entity that will administer all loans. The Commerce Specialist 3 will provide ongoing monitoring of state funds loaned out for all applicable projects.

0.5 FTE Fiscal Analyst 4 (1,670 hours) in FY25 to work with the Commerce Specialist 3 to select an entity qualified to administer loans and to support the entity in developing loan processes and documentation that comply with the directives specified in the bill. This staffing need decreases to 0.2 Fiscal Analyst 4 (417 hours) in FY26-29 to perform accounting and bookkeeping for this program.

0.1 FTE Commerce Specialist 5 (208 hours) in FY25-29 to manage the work of the Commerce Specialist 3 and review and continually evaluate the contract with the lender that administers the revolving loan program.

0.2 FTE EMS2 Senior Energy Policy Specialist (417 hours) in FY25 to provide subject matter expertise and expert policy advice in development of the program in the first year.

0.1 FTE WMS Band 3 (208 hours) in FY25 to provide oversight of the new revolving loan program and ensure overarching compliance with all Commerce processes in the first year.

Salaries and Benefits:

FY25: \$210,277

FY26-27: \$103,728 per fiscal year

Professional services contract:

FY25-29: \$1,000,000 per fiscal year to contract with a lender qualified to administer complex, high value loans. This amount is equal of a 1% servicing fee annually on a \$100 million loan program.

Goods and other services:

Goods and services include 80 hours in FY25 at \$161 per hour for attorney general costs to provide counsel on program startup. This does include any legal defense costs if the bill were to be challenged.

FY 25: \$24,923

FY 26-29: \$6,360 per fiscal year

Intra-Agency Reimbursements

FY25: \$69,181

FY26-29: \$34,127 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.

Section 2:

0.1 FTE Budget Analyst 4 (208 hours) in FY25-29 to provide accounting for the new account created in this section, including maintaining separate accounting for any federal funds in the account.

Salaries and Benefits

FY25-29: \$12,337 per fiscal year

Goods and other services:

FY25-29: \$709 per fiscal year

Intra-Agency Reimbursements

FY25-29: \$4,059 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.

Total costs:

FY25: \$1,321,486

FY26-29: \$1,161,320

**Part V: New Rule Making Required**

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