Multiple Agency Fiscal Note Summary

Bill Number: 1976 HB	**Title:** Incentives/energy upgrades

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	(13,870,000)	(13,870,000)	(13,870,000)	(33,460,000)	(33,460,000)	(33,460,000)	0	0	0
Total $	**(13,870,000)**	**(13,870,000)**	**(13,870,000)**	**(33,460,000)**	**(33,460,000)**	**(33,460,000)**	**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
Department of Commerce	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	.1	11,200	11,200	11,200	.0	0	0	0	.0	0	0	0
Total $	**0.1**	**11,200**	**11,200**	**11,200**	**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
Department of Commerce	.0	0	0	.0	0	0	.0	0	0
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**

Estimated Capital Budget Breakout

Prepared by: Val Terre, OFM	**Phone:** (360) 280-3973	**Date Published:** Final 2/13/2024

FNPID 70701

Individual State Agency Fiscal Note

Bill Number: 1976 HB	Title: Incentives/energy upgrades	Agency: 103-Department of Commerce

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: 01/02/2024
Agency Preparation:	Marla Page	Phone: 360-725-3129	Date: 01/09/2024
Agency Approval:	Marla Page	Phone: 360-725-3129	Date: 01/09/2024
OFM Review:	Val Terre	Phone: (360) 280-3973	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.

This bill amends the structure of the Tier 1 and Tier 2 Clean Buildings incentive programs to allow the department to move from a capped per square foot incentive to offering an enhanced incentive in its program designs. This bill will allow these programs to offer increased flexibility in its incentive offering and consider additional criteria for enhanced incentives.

There is no fiscal impact to the department associated with this bill. This bill changes the structure of the incentive payments made to building owners by utilities that then receive a tax credit. The Department would authorize higher incentive payments, but would not distribute them. The authorization of incentive payments is already a part of the Building Unit's existing workload.

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.

There is no fiscal impact to the department associated with this bill. This bill changes the structure of the incentive payments made to building owners by utilities that then receive a tax credit. The Department would authorize higher incentive payments, but would not distribute them. The authorization of incentive payments is already a part of the Building Unit's existing workload.

Current building owner interest provides enough capacity within existing resources to increase incentive payments. Both incentive programs in this bill were previously authorized – the Tier 1 program in 2019, and the Tier 2 program in 2022 – and are funded through a utility tax credit. This bill makes no changes to these authorizations.

In order to determine enhanced incentive amounts, Commerce would solicit building owner feedback through a public process on what an appropriate amount would be. For example, the 179D federal tax credit for energy efficiency improvements in commercial buildings is a similar source of funding building owners can leverage, which ranges in incentive amount up to $1.88 per square foot.

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

There are no capital budget impacts. Current building owner interest provides enough capacity within existing resources to increase incentive payments. Both incentive programs in this bill were previously authorized – the Tier 1 program in 2019, and the Tier 2 program in 2022 – and are funded through a utility tax credit. This bill makes no changes to these authorizations. The Tier 1 program is limited to $75 million and must be spent by 2027, and the Tier 2 program is limited to $150 million and must be expended by 2030.

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.

Department of Revenue Fiscal Note

Bill Number: 1976 HB	**Title:** Incentives/energy upgrades	**Agency:** 140-Department of Revenue

Part I: Estimates

☐ **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		(13,870,000)	(13,870,000)	(33,460,000)	
Total $		(13,870,000)	(13,870,000)	(33,460,000)	

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.1	0.1		
Account					
GF-STATE-State 001-1	7,400	3,800	11,200		
Total $	7,400	3,800	11,200		

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: 01/02/2024
Agency Preparation:	Alex Merk-Dyes	Phone: 360-534-1601	Date: 02/09/2024
Agency Approval:	Marianne McIntosh	Phone: 360-534-1505	Date: 02/09/2024
OFM Review:	Amy Hatfield	Phone: (360) 280-7584	Date: 02/12/2024

Request # 1976-1-1

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 Early Adoption Incentive Program provides base incentive payments to commercial building owners demonstrating early compliance with the Clean Buildings Standard.

The one-time base incentive payments are for:
- Tier one buildings, $0.85 per gross square foot of floor area. The statewide cap is $75 million.
- Tier two buildings, $0.30 per gross square foot of floor area. The statewide cap is $150 million.

Utility companies issue base incentive payments and may receive a public utility (PU) tax credit from the Department of Revenue (department).

The Department of Commerce manages this incentive program in coordination with utility companies and the department.

PROPOSAL:
The Department of Commerce may provide greater base incentive payments for upgrading tier one and two buildings.

EFFECTIVE DATE:
The bill takes effect 90 days after the 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
- This bill takes effect June 4, 2024.
- The base incentive payment rates will be increased to approximately three times greater than the current rates starting July 1, 2024.
- The first use of the PU tax credit with the increased payment rates will begin in fiscal year 2025.
- One taxpayer took the Energy Efficiency PU tax credit in fiscal year 2024. Credit amounts are not confidential tax information and are subject to disclosure.
- Commercial building owner participation will increase over time.
- Participation is more likely in urban areas, where commercial buildings are located.
- The Tier One program statewide cap will be met in fiscal year 2027 before the program's end date.
- The Tier Two program starts in fiscal year 2026.
- Based on conversations with the Department of Commerce, they are unaware of any buildings meeting the Tier Two criteria at this time. Therefore, the revenue impact of the Tier Two program is unknown. With the increase in incentive payment rates, future Tier Two participation will increase the cost to the state.

DATA SOURCES
- Department of Revenue, Excise tax data
- Department of Commerce, Clean Buildings data
- City of Seattle, Seattle Energy Benchmarking data

REVENUE ESTIMATES
This bill decreases state revenues by an estimated $13.9 million in fiscal year 2025 and $21.8 million in fiscal year 2026

from Tier One impacts.

Based on the assumptions above, the revenue impact of the Tier Two program is indeterminate.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
FY 2024 - $ 0
FY 2025 - ($ 13,870)
FY 2026 - ($ 21,790)
FY 2027 - ($ 11,670)
FY 2028 - $ 0
FY 2029 - $ 0

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 estimate affects approximately five taxpayers.

FIRST YEAR COSTS:
The department will incur total costs of $7,400 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.07 FTE.
- Create a special notice and update publications and information on the department's website.

SECOND YEAR COSTS:
The department will incur total costs of $3,800 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.07 FTE.
- Amend one expedited rule.

ONGOING COSTS:
There are no ongoing costs.

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	0.1	0.1		
A-Salaries and Wages	4,800	2,500	7,300		
B-Employee Benefits	1,600	800	2,400		
E-Goods and Other Services	600	300	900		
J-Capital Outlays	400	200	600		
Total $	$7,400	$3,800	$11,200		

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		
MGMT ANALYST4	76,188		0.0	0.0		
TAX POLICY SP 2	78,120	0.0	0.0	0.0		
TAX POLICY SP 3	88,416	0.0	0.0	0.0		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 2	98,456	0.0		0.0		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs		0.1	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

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 expedited process to amend WAC 458-20-179, titled: "Public utility tax." Persons affected by this rulemaking would include approximately five light and power businesses.