

Multiple Agency Fiscal Note Summary

Bill Number: 2410 P S HB	Title: Jet fuel tax preferences
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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	(4,000)	(4,000)	(4,000)	(30,000)	(30,000)	(30,000)	(110,000)	(110,000)	(110,000)
Total \$	(4,000)	(4,000)	(4,000)	(30,000)	(30,000)	(30,000)	(110,000)	(110,000)	(110,000)

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
Joint Legislative Audit and Review Committee	.0	0	0	7,200	.0	0	0	4,800	.0	0	0	4,800
Department of Revenue	.4	103,700	103,700	103,700	.1	27,000	27,000	27,000	.1	27,000	27,000	27,000
Department of Ecology	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	0.4	103,700	103,700	110,900	0.1	27,000	27,000	31,800	0.1	27,000	27,000	31,800

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.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

Estimated Capital Budget Breakout

Prepared by: Amy Hatfield, OFM

Phone:
(360) 280-7584

Date Published:
Final 2/28/2024

Individual State Agency Fiscal Note

Bill Number: 2410 P S HB	Title: Jet fuel tax preferences	Agency: 014-Joint Legislative Audit and Review Committee
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
Account					
Performance Audits of Government Account-State 553-1	4,800	2,400	7,200	4,800	4,800
Total \$	4,800	2,400	7,200	4,800	4,800

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:

- 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: Tracey Taylor	Phone: 360-786-7152	Date: 02/23/2024
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 02/28/2024
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 02/28/2024
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 02/28/2024

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 of the bill amends RCW 82.16.0421 to:

- Add new definitions for “alternative jet fuel,” “alternative jet fuel electrolytic processing business,” and “biogenic carbon dioxide.”
- Creates a new public utility tax exemption under RCW 82.16.0421(3) for electricity sales by a light and power business to an alternative jet fuel electrolytic processing business for the integrated production process if the sale contract meets certain conditions. The new preference takes effect July 1, 2024, and expires December 31, 2039.

Section 2 of the bill notes that the tax preference performance statement in section 8, chapter 232, Laws of 2023 applies to the expanded preference in section 1 of the bill.

The 2023 performance statement categorized the preferences as intended to improve industry competitiveness, as indicated in RCW 82.32.808(2)(b). The Legislature's specific public policy objective is to encourage production and use of alternative jet fuels and to support development of the alternative jet fuels industry in the state by providing targeted tax relief.

The Legislature intended to extend the expiration dates if a review finds that:

- There has been an increase in the production and use of alternative jet fuels by persons claiming the tax preferences.
- The production and use of alternative jet fuels in the state does not result in additional pollution including, but not limited to, pollution from per-and polyfluoroalkyl substances, noxious gases, ultrafine particles, lead, or other metals.
- The alternative jet fuel industry has created measurable economic growth in Washington.

JLARC is directed to include a racial equity analysis on air travel-related pollution in communities near an international airport owned by a port district in a county with a population greater than 1.5 million.

To obtain the data necessary for its review, JLARC may access and use data from an international airport owned by a port district in a county with a population greater than 1.5 million, the University of Washington, reports compiled by the Washington State University, and other data collected by the state as it deems necessary.

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.

JLARC staff would contact and work with the Department of Revenue, the Port of Seattle, the University of Washington, and Washington State University immediately after passage of the bill to ensure any project contacts needed for the expanded tax preference are established and all necessary data for JLARC staff's future evaluation needs are identified and collected. JLARC will likely review this expanded preference in 2031 with other alternative jet fuel tax preferences.

The expenditure detail reflects work conducted to prepare for the future review of the preferences. Costs associated with the review are not included in this fiscal note. This fiscal note reflects only the costs associated with establishing data collection.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC

consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2024 legislative session.

This audit will require an estimated 1 audit month.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2023-25 costs are calculated at approximately \$23,900 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
553-1	Performance Audits of Government Account	State	4,800	2,400	7,200	4,800	4,800
Total \$			4,800	2,400	7,200	4,800	4,800

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages	3,100	1,600	4,700	3,200	3,200
B-Employee Benefits	1,000	500	1,500	1,000	1,000
C-Professional Service Contracts					
E-Goods and Other Services	600	300	900	600	600
G-Travel	100		100		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	4,800	2,400	7,200	4,800	4,800

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
Research Analyst	131,064					
Support staff	110,856					
Total FTEs						0.0

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.

Department of Revenue Fiscal Note

Bill Number: 2410 P S HB	Title: Jet fuel tax preferences	Agency: 140-Department of Revenue
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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
GF-STATE-State 01 - Taxes 35 - Public Utilities Tax		(4,000)	(4,000)	(30,000)	(110,000)
Total \$		(4,000)	(4,000)	(30,000)	(110,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.3	0.4	0.1	0.1
GF-STATE-State 001-1	70,600	33,100	103,700	27,000	27,000
Total \$	70,600	33,100	103,700	27,000	27,000

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: Tracey Taylor	Phone: 60-786-7152	Date: 02/23/2024
Agency Preparation: Anna Yamada	Phone: 60-534-1519	Date: 02/26/2024
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 02/26/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/26/2024

Request # 2410-2-1

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.

Note: This fiscal note reflects language in Proposed Substitute House Bill 2410 (H-3405.1), 2024 Legislative Session.

COMPARISON OF PROPOSED SUBSTITUTE BILL WITH ORIGINAL BILL:

The proposed substitute removes the distressed area from the definition of a qualifying location for a new production facility of alternative jet fuels. It also removes the threshold to qualify for existing tax incentives for alternative jet fuel manufacturers.

The proposed substitute exempts sales of qualified electricity to an alternative jet fuel electrolytic processing business from public utility (PU) tax, requiring the light and power business to reduce the cost of electricity by the tax benefit amount for an alternative jet fuel electrolytic processing business.

CURRENT LAW:

Until December 31, 2028, electricity sales to a chlor-alkali electrolytic processing business and sodium chlorate electrolytic processing business are exempt if the electricity is used directly for the electrolytic processing. A light and power business must reduce the price for the qualified electricity sold to such businesses by the amount of deduction taken on PU tax.

Electrolytic processing businesses receiving the benefit of the exemption must meter the qualified electricity usage separately, provide the light and power business with an exemption certificate, and file a complete annual tax performance report with the Department of Revenue (department).

This preference expires on July 1, 2029.

PROPOSAL:

This bill defines an alternative jet fuel electrolytic processing business as a person engaged in the business of using electricity to split the electrochemical bonds of biogenic carbon dioxide and water in an integrated production process to produce alternative jet fuel.

Beginning July 1, 2024, until December 31, 2039, the sale of electricity used directly for the electrolytic process by a business producing alternative jet fuels is exempt from PU tax. A light and power business passes the tax benefit amount of the preference by reducing the price of electricity to the alternative jet fuels electrolytic processing business.

Alternative jet fuel electrolytic processing businesses must meter the qualified electricity usage separately, provide the light and power business with an exemption certificate, and file a complete annual tax performance report with the department to benefit from this new tax preference.

This tax preference for alternative jet fuel electrolytic processing business expires July 1, 2040.

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

- A new alternative jet fuel electrolytic processing facility will be built in Moses Lake. The facility projects to begin operations by July 1, 2024, and produce an initial capacity of 40,000 gallons during fiscal year 2025. The production will double yearly until it reaches its target capacity of 1 million gallons.
- Due to a lack of technical information on alternative jet fuel electrolytic processes in the new facility under construction, this estimate uses general information available for hydrogen liquid fuel and its universal weight-to-volume conversion to apply to the alternative jet fuel. It generally takes an average of 52.5 kilowatt hours (kWh) of electricity to produce 1 kilogram (kg) of liquid hydrogen fuel under current technologies. The alternative jet fuel, which utilizes a more advanced electrolytic method, will take twice as much electricity as the current method. Thus, to produce 1 kg of alternative jet fuel, 105 kWh of electricity is required. One gallon of alternative jet fuel weighs approximately 0.27 kg, requiring 28 kWh of electricity through the electrolytic process.
- Grant County Public Utility District (PUD) will sell electricity to the alternative jet fuel electrolytic processing facility at the large industrial service rate plus the renewable energy generation cost, adjusted by inflation.
- This proposal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.

DATA SOURCES

- “Construction Begins on First U.S. Commercial e-SAF Plant,” July 11, 2023, Aironline.com, <https://www.ainonline.com/aviation-news/aerospace/2023-07-11/construction-begins-first-us-commercial-e-saf-plant>
- Hydrogen economy, Wikipedia, https://en.wikipedia.org/wiki/Hydrogen_economy
- “Hydrogen fuels might have just got a huge leg-up,” Craig Jamieson, March 21, 2022, TopGear.com, <https://www.topgear.com/car-news/future-tech/hydrogen-fuels-might-have-just-got-huge-leg>
- Grand County PUD, Rates and Fees, <https://www.grantpud.org/rates-fees>
- Certificate of Conformance for Hydrogen Conversion Data, Keen Compressed Gas Co., <https://keengas.com/gases/hydrogen/>
- Statista, Average renewable electricity generation cost worldwide in 2022 by energy source
- S&P Global Market Intelligence, November 2023 forecast for CPI

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$4,000 in the 11 months of impacted collections in fiscal year 2025 and by \$10,000 in fiscal year 2026, the first full year of impacted collections.

This bill has no local government revenue impact.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	(\$ 4)
FY 2026 -	(\$ 10)
FY 2027 -	(\$ 20)
FY 2028 -	(\$ 40)
FY 2029 -	(\$ 70)

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 bill affects minimal taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$70,600 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.44 FTE.

- Set up, program, and test computer system changes.
- Identify publications and information the department may need to create or update on the department's website.

Object Costs - \$13,560.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$33,100 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.27 FTE.

- Review reports, scrutinize data, and examine accounts to make corrections as necessary.
- Amend one administrative rule.
- Develop and maintain annual tax incentive report questions.
- Review annual tax incentive report submissions, work to verify submission accuracy, and compile statistics and reports.

Object Costs - \$1,200.

- New software license and renewals.
- Training and travel.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$27,000 and include similar activities described in the second-year costs. Time and effort equate to 0.1 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.3	0.4	0.1	0.1
A-Salaries and Wages	36,000	20,200	56,200	17,600	17,600
B-Employee Benefits	11,900	6,600	18,500	5,800	5,800
C-Professional Service Contracts	13,600		13,600		
E-Goods and Other Services	6,100	4,400	10,500	2,600	2,600
G-Travel		300	300	400	400
J-Capital Outlays	3,000	1,600	4,600	600	600
Total \$	\$70,600	\$33,100	\$103,700	\$27,000	\$27,000

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		
EXCISE TAX EX 3	64,092	0.1		0.1		
IT B A-JOURNEY	91,968	0.3		0.2		
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	0.2	0.1	0.1	0.1
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		0.4	0.3	0.4	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 light and power businesses.

Individual State Agency Fiscal Note

Bill Number: 2410 P S HB	Title: Jet fuel tax preferences	Agency: 461-Department of Ecology
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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.
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- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Tracey Taylor	Phone: 360-786-7152	Date: 02/23/2024
Agency Preparation: Cristina Steward	Phone: 564-669-1723	Date: 02/26/2024
Agency Approval: Erik Fairchild	Phone: 360-407-7005	Date: 02/26/2024
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 02/27/2024

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.

Compared to HB 2410, PSHB 2410 removes sections 3 and 4, thereby eliminating the changes to the threshold for distressed area provisions in the original bill; section 1(3) provides that beginning July 1, 2024, the public utilities tax does not apply to sales of electricity made by a light and power business to an alternative jet fuel electrolytic processing business for its integrated production process if the contract for sale of electricity to the business contains certain provisions; makes the tax exemption expire January 1, 2040, and is subject to the Tax Preference Performance Statement contained in the 2023 legislation. These changes do not change the fiscal impact to Ecology.

Under section 1, beginning July 1, 2024, until December 31, 2039, the sale of electricity used directly for the electrolytic process by a business producing alternative jet fuels would be exempt from the public utilities tax.

There are no new requirements to the Department of Ecology. Therefore, this bill would have no fiscal impact to Ecology.

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.