

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1975 2S HB AMS ENET S2518.1	<b>Title:</b> Climate commitment act	<b>Agency:</b> 461-Department of Ecology
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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.
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### Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	7.3	7.4	7.4	3.2	3.2
<b>Account</b>					
Climate Investment Account-State 26B-1	1,383,943	1,431,791	2,815,734	1,735,236	1,964,217
<b>Total \$</b>	1,383,943	1,431,791	2,815,734	1,735,236	1,964,217

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

### 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: Matthew Shepard-Koningsor	Phone: 360-786-7627	Date: 03/31/2025
Agency Preparation: Kelcy Shaffer	Phone: 564-200-3781	Date: 04/03/2025
Agency Approval: Garret Ward	Phone: 360-789-7938	Date: 04/03/2025
OFM Review: Lisa Borkowski	Phone: (360) 742-2239	Date: 04/08/2025

## 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 2SHB 1975, 1975-S2 AMS ENET S2518.1 makes the following changes related to the Ecology:

Section 3 would require Ecology to seek to minimize reporting burdens for electric power entities who report greenhouse gas emissions of 10,000 metric tons of carbon dioxide equivalent or less annually. The section would allow Ecology to require greenhouse gas emissions reports for emissions in any combination of the years 2024 through 2030 to be submitted at an alternate date no later than June 1, 2031, under certain circumstances.

Section 4 was renumbered from Section 3 in the previous version.

Section 5 was renumbered from Section 4 in the previous version.

Section 6 would allow Ecology to delay or adjust the annual requirement to transfer a percentage of compliance instruments for any years which emissions reporting deadlines are adjusted if needed to implement the Cap-and-Invest Program or to fulfill a linkage agreement.

Section 7 was renumbered from Section 5 in the previous version.

Section 8 was renumbered from Section 6 in the previous version.

Section 9 was renumbered from Section 7 in the previous version.

These changes to the bill would result in partially indeterminate expenditure impacts.

The Climate Commitment Act (CCA), RCW 70A.65, is designed to help ensure that Washington State meets greenhouse gas limits established under RCW 70A.45.020, by directing Ecology to implement the Cap-and-Invest Program. This program creates compliance obligations for entities that emit over 25,000 metric tons of carbon dioxide equivalent and requires them to acquire compliance instruments equal to their emissions. In 2022, Ecology adopted the Cap-and-Invest Program Rule (Chapter 173-446 WAC) to implement the Cap-and-Invest Program to achieve Washington's statutory requirement of net zero greenhouse gas emissions by 2050.

Section 1 would require Ecology to analyze the Cap-and-Invest market's allowance supply and market dynamics and consider the analysis during rulemaking.

Section 2 would require Ecology to perform economic modeling to analyze the Cap-and-Invest Program's design features under a baseline scenario and set of alternative scenarios. The section would require Ecology to post initial modeling results on its website by December 31, 2026, as well as updated modeling results by December 31, 2027, and by December 31st every two years thereafter.

Section 3 would allow Ecology to require greenhouse gas emissions reports for emissions in any combination of the years 2024 through 2030 to be submitted at an alternate date no later than June 1, 2031, under certain circumstances.

Section 4 would require Ecology to remove allowances from the 2030s budgets and make them available through Allowance Price Containment Reserve (APCR) auctions during the 2020s.

Section 5 would require Ecology to delay emissions reduction requirements from Cap-and-Invest sectors by twelve months.

Section 6 would allow Ecology to delay or adjust the annual requirement to transfer a percentage of compliance instruments for any years in which emissions reporting deadlines are adjusted if needed to implement the Cap-and-Invest Program or to fulfill a linkage agreement.

Section 7 would require Ecology to lower the Price Ceiling Unit Price in 2026 and 2027 to \$80 per unit and to adjust the allowance price containment reserve tier 2 price to reflect the lower 2026 and 2027 price ceiling. This section would allow Ecology to re-set the price by rule in the future to match that of linked jurisdictions.

**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 greater than \$50,000 in Fiscal Year (FY) 2027 and ongoing for revenue under sections 4, 5, and 7.

The changes to Chapter 173-446 WAC required by sections 4, 5, and 7 of the bill would have an impact on cash receipts to the Climate Investment Account (CIA). Ecology assumes revenue impacts to be indeterminate because this bill would increase allowance supply but would also likely decrease allowance prices. The scale of the change is anticipated to be significant; however, Ecology is uncertain if the increased supply will have a greater effect than the price change or vice versa.

The Climate Commitment Account and Natural Climate Solutions Account are both funded via transfers from the CIA. Ecology assumes these accounts could be affected if CIA revenue were to change.

**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) 2026 and ongoing to implement the requirements of Sections 1-7.

Section 1 would require Ecology to purchase a data subscription for allowance price information from the futures market to analyze the Cap-and-Invest market's allowance supply and market dynamics.

Ecology estimates the cost to implement section 1 would be:

0.5 FTE Financial Examiner 4 (FE4) in Fiscal Year 2026 and ongoing to provide analysis and forecasts of the market including—but not limited to—prices of allowances, offsets on the primary and secondary markets, trends in allowance demand and supply, activity in the market by type of participant, and the trends of allowance budget use over time.

In Fiscal Year 2026 and ongoing, Ecology would purchase a data subscription for allowance price information from the futures market in order to meet the requirements of Section 1(a) and (b). This market data would cost \$10,000 per year.

The changes in Section 2 would require additional detailed and specific economic modeling to project market conditions, estimate future state greenhouse gas emissions, analyze the impacts from policy changes to the Cap-and-Invest Program, other linked jurisdictional programs, and complementary climate policies over a long time-horizon.

**Contracts**

In the 2023-25 biennium, Ecology was appropriated ongoing funding to support timely, defensible market analysis and baseline modeling for the life of the Cap-and-Invest Program. The ongoing amounts for this work in Ecology's base budget

are as follows:

- FY 2024: \$215,000
- FY 2025: \$219,300
- FY 2026: \$219,300
- FY 2027: \$223,686
- FY 2028: \$223,686
- FY 2029 and ongoing: \$228,160

Base model updates: To meet the additional modeling requirements of the bill, Ecology would contract with an independent party to build a new base model to reflect market conditions, data, changes to Cap-and-Invest policies in the Washington, California, and Québec markets, updates in assumptions around complementary climate programs, technology adoption, and other regulated sector-specific dynamics. Ecology estimates the incremental cost of this to be \$30,700 in FY 2026, \$51,314 in FY 2027, \$78,814 in FY 2028, \$104,590 in FY 2029, \$137,865 in FY 2030, and \$174,468 in FY 2031. This cost would be in addition to the current carry forward amounts Ecology is appropriated for economic modeling. Costs would continue to grow each year after 2031.

Scenario and sensitivity analysis: Ecology would contract with an independent entity to build and analyze the base modeling scenario and sensitivity analyses to test model assumptions and data, evaluate policy changes to the Washington program and other linked jurisdiction programs, and provide information to help analyze covered entity and interested party concerns related to Washington Cap-and-Invest policy impacts and effectiveness. Ecology estimates the cost of this to be \$150,000 in FY 2026, \$165,000 in FY 2027, \$181,500 in FY 2028, \$199,650 in FY 2029, \$219,615 in FY 2030, and \$241,577 in FY 2031. Costs are anticipated to continue to grow by approximately 10% each year after 2031.

Communication of model outputs: Ecology would need to additionally contract for the development of presentation model outputs, graphics, and public outreach to facilitate public policy discussion, and assure transparency and timelines of information to inform public, legislative, and covered entity outreach. Ecology estimates the cost of this to be \$37,500 in FY 2026, \$41,250 in FY 2027, \$45,375 in FY 2028, \$49,913 in FY 2029, \$54,904 in FY 2030, and \$60,394 in FY 2031. Costs are anticipated to continue to grow by approximately 10% each year after 2031.

Estimates for contract costs related to section 2 are based on previous contract bids by firms and universities for previous models developed for the Cap-and-Invest Program, and current bid estimates provided by entities that could conduct future modeling for the program.

In 2022, Ecology contracted with Vivid Economics (later acquired by McKinsey) to build a base model, which was limited in scope to Washington only (with simplified assumptions about existing California and Québec markets). It did not include detailed sensitivity analyses or public outreach by McKinsey but included a basic written report. This cost of this contract was \$400,000.

In 2023, Ecology contracted with McKinsey to update models to include California and Québec markets and to run four scenarios, conduct sensitivity analyses, and provide PowerPoint presentations of results. A written report was not required, and McKinsey did not make any public presentations. The McKinsey model was proprietary, so Ecology and the public had limited access to detailed modeling assumptions and architecture. The cost for this contract initially was \$434,000 but was later amended to a lower amount, as McKinsey was unable to complete the full scope of the contract within the required timeline.

Current estimates (provided to Ecology in February 2025) for future modeling to refresh Ecology's previously reported models through private firms are in the range of \$600,000 to \$840,000. Estimates from potential university partners are lower, including one estimate for \$385,000. These estimates were to complete the development of the base model and limited preliminary model runs (without significant public outreach). Under this proposed scope of work, the analysis would be updated once updates to the California and Québec programs are complete. Additional requested modeled scenarios and

sensitivity analyses would have to be conducted under an additional scope of work.

For this fiscal note, Ecology assumes that that future modeling contracts would be with in-state universities. Contracting with in-state universities instead of a private consulting firm will allow the completion of the work at a more moderate cost to the state, costing approximately half as much as a private consulting firm. If unable to contract with an in-state university, Ecology would request additional funds from the Legislature to achieve the modeling and analysis deliverables required by 2SHB 1975.

## Staff

Section 2 would require staff to develop contracts, work with and oversee the contractor, and incorporate the analysis and modeling into policy. For that work Ecology assumes:

0.75 FTE Financial Examiner 4 (FE4) in FY2026 and 0.5 FTE Financial Examiner 4 (FE4) in FY 2027 and ongoing to conduct analysis and gather accurate data related to the market, and build sound assumptions with the contractor for base model, scenarios, sector assumptions, and sensitivity analyses.

0.75 FTE Environmental Planner 5 (EP5) in FY 2026 and ongoing to design and develop the scope of the contracts, manage the contracts, serve as Ecology's liaison to the contractor, coordinate technical collaboration between Ecology staff and contractor, and lead communication of modeling process, outputs and analysis to covered entities, the Legislature, and the public.

0.5 FTE Environmental Planner 3 (EP3) in FY 2026 and ongoing to conduct outreach to covered entities, the Legislature, and the public, including written material development, presentations, public meetings, dissemination of content through multiple outreach channels, and gathering, organizing and presentation of outreach feedback to inform changes to future modeling efforts.

0.5 FTE Washington Management Service 1 (WMS1) in FY26 and ongoing to provide supervision and oversight; work with staff on developing and implementing policy and market-relevant baselines, alternative scenarios, and modeling assumptions; engage with regulated entities and interested parties regarding the contract development and findings; and support Ecology in interactions with the Legislature, covered entities, other market observers, and the public.

## Rulemaking

Ecology assumes Sections 4, 5, and 7 would require rulemaking to 1) remove 2-5% of allowances from the 2030s budgets and make them available through Allowance Price Containment Reserve (APCR) auctions beginning in 2027; 2) adjust allowance budgets to align with achieving emissions reductions twelve months later than currently required (1/1 to 12/31); and 3) lower the Price Ceiling Unit Price in 2026 and 2027 to \$80 per unit.

Ecology estimates that rulemaking would be highly complex and generate substantial public interest and input. It would require at least two years, from July 2025 to June 2027. This type of rulemaking would include three preproposal meetings to gather input from interested parties and develop the EJA and three public hearings to accept comments on the rule proposal.

Rulemaking Lead: Ecology estimates that an Environmental Planner 3 (EP3) would spend 0.85 FTE in Fiscal Year 2026 and Fiscal Year 2027 coordinating the rulemaking effort.

Technical Leads: Ecology estimates that a Financial Examiner 4 (FE4) would spend 0.75 FTE in Fiscal Year 2026 and Fiscal Year 2027 to provide support for rule development and engagement with subject matter experts from the regulated community.

An Environmental Planner 5 (EP5) would spend 0.5 FTE in Fiscal Year 2026 and Fiscal Year 2027 to provide clarity and guidance on effective implementation of the statute.

A Washington Management Service 2 (WMS2) manager would spend 0.25 FTE in Fiscal Year 2026 and Fiscal Year 2027 to provide policy oversight and coordination and incorporation of new rule requirements into existing rules and reporting databases.

Public Outreach Coordinator: Ecology estimates that a Community Outreach and Environmental Education Specialist 3 would spend 1.0 FTE in fiscal years 2026 and 2027 to manage extensive consultation required for EJAs in statewide climate pollution reduction policies. This position would organize rule advisory committee meetings, public meetings, prepare informational materials, and respond to questions from interested parties throughout rulemaking. The bill impacts key aspects of the CCA program rule, drawing significant interest from environmental and environmental justice organizations statewide. To ensure effective outreach and inclusive engagement, Ecology anticipates this position would support up to 3 preproposal meetings and 3 hearings, facilitating input from Tribes, diverse communities, and partners essential for shaping policies that address climate and environmental justice concerns equitably.

The following positions would complete an economic and regulatory analysis of the rule:

Economic Analyst 3, 0.25 FTE in Fiscal Year 2027

Regulatory Analyst 2, 0.1 FTE in Fiscal Year 2027

Ecology would hold three public hearings in Fiscal Year 2027 for rulemaking. Meetings would be held virtually, so Ecology assumes no costs for facility rentals.

Attorney General (AG) costs are estimated to be \$5,800 for 0.02 FTE in Fiscal Year 2026 and Fiscal Year 2027 to provide legal consultation during rulemaking ( $\$290,000 \times 0.02 = \$5,800$ ).

Ecology assumes Sections 3 and 6 would prompt rulemaking to amend Chapter 173-441 WAC and Chapter 173-446 WAC if Ecology determines that timely reporting under RCW 70A.15.2200 is infeasible due to the actions of a third-party Ecology relies on to collect emissions data from reporting entities. If timing allows, these amendments to Chapter 173-441 WAC and Chapter 173-446 WAC would be made as part of the rulemaking required by Sections 4, 5, and 7. One additional pre-proposal meeting would be held. If timing does not allow, Ecology assumes it would engage in emergency rulemaking to make the amendments.

For the purposes of this fiscal note, Ecology estimates the following could be necessary to support emergency rulemaking; as these costs are indeterminate, they are not included in the expenditure summary and revenue estimates.

Ecology estimates that the permanent rulemaking accompanying the emergency rulemaking would be moderately complex and generate substantial public interest and input. It would require eighteen months sometime between 2027 and 2030. Over the 18 months, Ecology assumes rulemaking would include:

Rulemaking Lead: Ecology estimates that an Environmental Planner 3 (EP3) would spend 0.5 FTE in during 1.5 undetermined fiscal years coordinating the rulemaking effort.

Technical Lead: Ecology estimates that an Environmental Engineer 6 (EE6) 0.25 FTE during 1.5 undetermined fiscal years providing technical expertise for the rulemaking.

Public Outreach Coordinator: Ecology estimates that a Community Engagement and Environmental Education Specialist would spend 0.19 FTE during 1.5 undetermined fiscal years 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 an undetermined fiscal year  
Regulatory Analyst 2, 0.05 FTE in an undetermined fiscal year

Attorney General (AG) costs are AGO costs are possible but pending rulemaking.

Ecology does not know if and when the rulemaking process would potentially take place in 2027- 2030 for Sections 3 and 6. If rulemaking would need to take place Ecology estimates the costs could amount to approximately \$289,716 with 1.8 FTE in FY 2027 and .84 FTE in FY 2028. However, these costs are ultimately indeterminate.

Therefore, fiscal impacts related to these changes are indeterminate.

#### SUMMARY:

In addition to the costs below, there would be indeterminate impacts from this bill. See the narrative above for further detail. The expenditure impact to Ecology under this bill is:

##### Section 1:

FY 2026: \$113,257 and 0.6 FTE  
FY 2027: \$113,257 and 0.6 FTE  
FY 2028: \$113,257 and 0.6 FTE  
FY 2029: \$113,257 and 0.6 FTE  
FY 2030: \$113,257 and 0.6 FTE  
FY 2031: \$113,257 and 0.6 FTE

##### Section 2:

FY 2026: \$694,271 and 2.9 FTE  
FY 2027: \$682,004 and 2.6 FTE  
FY 2028: \$730,129 and 2.6 FTE  
FY 2029: \$778,593 and 2.6 FTE  
FY 2030: \$836,824 and 2.6 FTE  
FY 2031: \$900,879 and 2.6 FTE

##### Sections 4,5, and 7 (rulemaking):

FY 2026: \$576,415 and 3.9 FTE  
FY 2027: \$636,530 and 4.3 FTE

THE TOTAL EXPENDITURE IMPACT in addition to the indeterminate costs above to Ecology under this bill is estimated to be:

FY 2026: \$1,383,943 and 7.3 FTE  
FY 2027: \$1,431,791 and 7.4 FTE  
FY 2028: \$843,386 and 3.2 FTE  
FY 2029: \$891,850 and 3.2 FTE  
FY 2030: \$950,081 and 3.2 FTE  
FY 2031: \$1,014,136 and 3.2 FTE

Notes on costs by object:

Salary estimates are current biennium actual rates at Step L.  
Benefits are the agency average of 33.7% of salaries.

Goods and Services are the agency average of \$5,552 per direct program FTE.  
 Travel is the agency average of \$2,398 per direct program FTE.  
 Equipment is the agency average of \$1,074 per direct program FTE.  
 Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 29.9% 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 2026	FY 2027	2025-27	2027-29	2029-31
26B-1	Climate Investment Account	State	1,383,943	1,431,791	2,815,734	1,735,236	1,964,217
Total \$			1,383,943	1,431,791	2,815,734	1,735,236	1,964,217

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

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

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	7.3	7.4	7.4	3.2	3.2
A-Salaries and Wages	629,122	633,487	1,262,609	579,102	579,102
B-Employee Benefits	212,014	213,485	425,499	195,154	195,154
C-Professional Service Contracts	228,200	267,564	495,764	679,842	908,823
E-Goods and Other Services	41,055	41,610	82,665	30,536	30,536
G-Travel	15,229	15,469	30,698	13,190	13,190
J-Capital Outlays	6,822	6,929	13,751	5,908	5,908
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Administrative Overhead	251,501	253,247	504,748	231,504	231,504
Total \$	1,383,943	1,431,791	2,815,734	1,735,236	1,964,217

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

### 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 2026	FY 2027	2025-27	2027-29	2029-31
COMM OUTRCH & ENVIRO ED SPEC 3	67,716	1.0	1.0	1.0		
ECONOMIC ANALYST 3	95,652		0.3	0.1		
ENVIRONMENTAL PLANNER 3	86,712	1.4	1.4	1.4	0.5	0.5
ENVIRONMENTAL PLANNER 5	105,612	1.3	1.3	1.3	0.8	0.8
FINANCIAL EXAMINER 4	113,712	2.0	1.8	1.9	1.0	1.0
FISCAL ANALYST 2		0.6	0.7	0.6	0.3	0.3
IT APP DEVELOPMENT-JOURNEY		0.3	0.3	0.3	0.1	0.1
REGULATORY ANALYST 2	88,800		0.1	0.1		
WMS BAND 1	106,548	0.5	0.5	0.5	0.5	0.5
WMS BAND 2	126,528	0.3	0.3	0.3		
Total FTEs		7.3	7.4	7.4	3.2	3.2

### 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.*

Sections 4, 5, and 7 of the bill would require Ecology to amend Chapter 173-446 WAC. The required amendments would necessitate a level three rulemaking, which would take between two and 2.5 years.

Sections 3 and 6 would allow Ecology to conduct rulemaking, including emergency rulemaking, to amend Chapter 173-441 WAC and Chapter 173-446 WAC under some circumstances to require greenhouse gas emissions reports to be submitted at an alternate date and to delay or adjust the annual requirement to transfer a percentage of compliance instruments.