

Individual State Agency Fiscal Note

Bill Number: 5373 SB	Title: Carbon Pollution	Agency: 461-Department of Ecology
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	4.1	2.5	3.3	1.3	1.3
Account					
General Fund-State 001-1	779,813	171,643	951,456	0	0
Climate Finance Account-State NEW-1	0	170,643	170,643	348,872	359,898
Total \$	779,813	342,286	1,122,099	348,872	359,898

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

Estimated Capital Budget Impact:

Non-zero but indeterminate cost 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.

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Agency Preparation: Pete Siefer	Phone: 360-407-6646	Date: 02/12/2021
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OFM Review:	Phone:	Date:

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill would institute a carbon pollution tax in Washington state on the sale or use of fossil fuels based on the greenhouse gas (GHG) emissions from the life-cycle of the fossil fuels. It would use revenue from the tax to facilitate the transition from fossil fuels to clean energy. Additionally, this bill would establish an environmental justice panel to provide recommendations in development and implementation of programs, projects and activities for the greenhouse gas (GHG) reduction and natural climate solutions investments established in the bill, and establish a 10-year climate finance program.

Section 2 would define the carbon calculation made by the Department of Ecology (Ecology) in consultation with the Department of Commerce (Commerce) used to determine the carbon pollution tax and life-cycle analysis of emissions associated with the fossil fuels in section 3 of the bill.

Section 3 would establish a carbon pollution tax beginning January 1, 2022, to be imposed on the sale or use of all fossil fuels within the state, except fuels used to generate electricity in the state. The carbon pollution tax would be collected by the Department of Revenue (DOR) and deposited in the Climate Finance Account created under section 8. Beginning July 1, 2022, the tax rate would be equal to \$25 per metric ton (MT) of GHG emissions and would automatically increase by five percent each July 1st thereafter and be adjusted for inflation using the consumer price index. Natural gas transported through the state and not produced or delivered in the state would be exempt and fossil fuels would not be taxed more than once per unit of fuel. For the purposes of determining the tax, Ecology would be directed to, in consultation with Commerce, adopt rules with criteria for making the carbon calculation defined in section 2. In addition, Ecology would be required by January 1, 2031, to make a determination of whether the sources of emissions covered by the tax are predicted to achieve the emissions limits in RCW 70A.45.020, and submit the determination and recommendations to the Legislature.

Section 4 would provide for specified exemptions to the carbon pollution tax. Section 4(1)(I) would exempt fossil fuels consumed by energy-intensive, trade-exposed (EITE) industry sectors from the carbon pollution tax and directs DOR, in consultation with Ecology and Commerce, to adopt rules to designate EITE sectors. This section would also direct Ecology to provide a report to appropriate committees of the Legislature by July 30, 2026, on whether to restrict or eliminate the exemption.

Section 5 would allow Ecology and other agencies to adopt rules to administer the new chapter 82.32 RCW established by the bill.

Section 6 would require Commerce, in consultation with DOR and Ecology, to submit a report on or before December 31, 2024, and by December 31st of each even-numbered year thereafter. The report would contain recommendations for modifications or improvements to the chapter created in the bill and include data on total carbon pollution tax collected, estimated administration costs, and economic, health, and environmental impacts of implementation.

Section 7 would allow DOR to request technical assistance from Ecology, Commerce, and the Washington State University extension energy program as necessary to implement the chapter.

Section 8 would create the Climate Finance Account for the deposit of all carbon pollution tax receipts by DOR. Funds in the account would first be used for payment of principal and interest on bonds authorized in section 9

and administration of the requirements of this chapter. Remaining funds beginning July 1, 2023, would be distributed 75 percent to the Greenhouse Gas Emissions Reduction Account created in section 16, and 25 percent to the Natural Climate Solutions Account created in section 17.

Section 12 would establish the Climate Bond Proceeds Account using proceeds from the sale of bonds authorized under section 9 in the amount of \$4,943,000,000 over ten years per section 10. Funds from this account could only be used for purposes described in sections 16 and 17.

Section 15 would establish legislative intent for the investments made under the Climate Bond Proceeds Account, Greenhouse Gas Emissions Account, and Natural Climate Solutions Account, to use at least 35 percent of the funds for the benefit of vulnerable populations within highly impacted communities, at least 25 percent for the benefit of projects in rural areas of the state, and at least 10 percent for projects supported by a resolution of an Indian tribe.

Section 16 would create the Greenhouse Gas Emissions Reduction Account. Under section 8, beginning July 1, 2023 (FY 2024), 75 percent of the funds available in the Climate Finance Account, after annual transfers to the Climate Bond Retirement Account and costs to administer this chapter, would be deposited in this account. It is assumed Commerce would administer this funding.

Section 17 would create the Natural Climate Solutions Account. Under section 8, beginning July 1, 2023 (FY 2024), 25 percent of the funds available in the Climate Finance Account, after annual transfers to the Climate Bond Retirement Account and costs to administer this chapter, would be deposited in the Natural Climate Solutions Account. Section 17(2) would authorize expenditures from the Natural Climate Solutions Account to be used for specified clean water and healthy forests investments to improve resilience from climate impacts. Ecology assumes programs for the Natural Climate Solutions Account would be a mix of funding from the operating and capital budget from several agencies, including Ecology, that are not specified under the bill.

Section 18 would establish an Environmental and Economic Justice Panel to provide recommendations in the development and implementation of the programs, projects, and activities on GHG reduction and natural climate solutions authorized in the chapter. Ecology and other specified agencies would be required to coordinate with and assist the panel.

Section 19 would require agencies receiving funding under the bill to consult with tribes on all decisions that may affect tribes' rights and interests in their tribal lands, and to put in place a consultation framework that includes best practices for collaboration with tribes.

Section 23 contains an emergency clause that would make the bill take effect immediately.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish 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) 2022 and ongoing to implement the requirements of sections 2, 3, 4, 18, and 19. There are indeterminate costs for

sections 7, 17, and 19.

Ecology assumes the costs estimated below for the carbon calculation, report writing, rulemaking, and ongoing costs would be funded from the Climate Finance Account for administration of this chapter beginning January 1, 2023, when DOR assumes revenue collections into the account would begin. Costs incurred for administration of this chapter before January 1, 2023, are assumed in the state general fund. State general fund is an appropriate account for these activities, because the proposed legislation would support reduction of greenhouse gases. Ecology's Climate Change Mitigation and Adaptation activity (A063) has historically been funded by state general fund. Expenditures from the Natural Climate Solutions Account under section 17 are indeterminate.

Carbon Calculation (Section 2 and 3)

Section 2 would define the carbon calculation made by the Ecology used to determine the carbon pollution tax and life-cycle analysis of emissions associated with the fossil fuels in section 3 of the bill.

Section 3 would require Ecology, in consultation with Commerce, to adopt rules with criteria for making the carbon calculation defined in section 2. Rulemaking is assumed to be highly complex and would take two and a half years beginning July 1, 2021. An emergency rule would be required in order to meet the January 1, 2022, effective date of the carbon pollution tax. Ecology assumes that the emergency rule would be in place, and would require renewal each 120 days, until December 31, 2023, when rulemaking for the final rule would be complete. Rulemaking would require three public meetings and three public hearings between FY 2022 and FY 2024 costing \$1,000 each for a total of \$3,000 in FY 2022 and \$3,000 in FY 2023. Ecology, in consultation with the Attorney General determined costs to assist with rulemaking would be estimated at \$9,540 in FY 2022. Staff costs for the rulemaking are estimated as follows:

Rulemaking staff:

- Environmental Planner 3 (0.85 FTE in FY 2022 and FY 2023 and 0.42 FTE in FY 2024): This position would act as the rulemaking lead, coordinating the process beginning July 1, 2021, through December 31, 2023.
- Environmental Planner 5 (0.50 FTE in FY 2022 and FY 2023 and 0.25 in FY 2024): This position would act as the technical lead for the carbon calculation beginning July 1, 2021, through December 31, 2023.
- Community Education and Outreach Specialist 3 (0.20 FTE in FY 2022 and FY 2023 and 0.10 FTE in FY 2024): This position would provide outreach coordination for public input on rulemaking, and organize meetings.

Economic analysis:

- Economic Analyst 3 (0.25 FTE in FY 2024): This position would complete an economic and regulatory analysis of the proposed rules in the final six months of rulemaking in FY 2024.
- Regulatory Analyst 2 (0.10 FTE in FY 2024): This position would assist with economic and regulatory analysis in the final six months of rulemaking in FY 2024.

Emergency Rule:

- Environmental Planner 3 (0.30 FTE in FY 2022, 0.15 FTE in FY 2023 and 0.05 FTE in FY 2024): This position would lead emergency rulemaking from July 1, 2021, to January 1, 2022, and renew the emergency rule each 120 days until the final rule is implemented January 1, 2024.

In addition to the staff efforts above, Ecology would contract for outside technical expertise to update carbon intensity modeling tools (Greenhouse Gases Regulated Emissions and Energy Use in Transportation (GREET) and Oil Production Greenhouse Gas Emissions Estimator (OPGEE)) to reflect Washington-specific data and variables. The modeling tools would help measure life-cycle emissions from fossil fuels identified in the bill. During the 2013 legislative session, E2SSB 5802 committed funds to a study to examine viability of a clean fuel standards program. The OFM fiscal note estimated \$175,000 to contract with a consultant for analysis of Washington emissions and energy consumption profile. The consultant preparing the report was Lifecycle Associates, who created the GREET model. While the scope of the project would differ from the analysis conducted in FY 2014, this estimate was used as the basis for estimated contract costs of \$200,000 in Object C in FY 2022.

Report to the Legislature (Section 3)

Ecology would be required by January 1, 2031, to make a determination of whether the sources of emissions covered by the carbon pollution tax are predicted to achieve the emissions limits in RCW 70A.45.020, and submit the determination and recommendations to the legislature. This report is beyond the six-year scope of this fiscal note, and therefore costs are not estimated at this time. Ecology assumes we would submit a budget request as needed for additional funding when this work occurs.

EITE Exemptions (Section 4)

Section 4 would require DOR, in consultation with Commerce and Ecology, to adopt rules to designate EITE sectors by June 30, 2022, for purposes of exempting fossil fuels consumed by EITE sectors from the carbon pollution tax. Ecology assumes a GHG subject matter expert and technical lead would provide support to DOR for the rulemaking process estimated at:

-- 0.5 FTE Environmental Specialist 5 in FY 2022

Ecology would be directed to provide a report by July 30, 2026, on whether to restrict or eliminate this exemption. The report would require input and data from industry sectors and other interested persons and must include recommendations for alternatives that would minimize leakage, allow for growth of Washington industries, recognize and provide credit for early actions to reduce emissions, examine availability of alternative fuels, and incorporate performance benchmarking of emissions intensity production processes. Ecology assumes that development of the report would occur in FY 2026 and that costs would be as follows:

-- Environmental Specialist 5 (0.25 FTE in FY 2026): This position would evaluate achievement of GHG reduction targets and different models under varying EITE exemption scenarios, participate in meetings, and lead the report drafting and report writing effort with the Regulatory Analyst.

-- Environmental Planner 5 (0.50 FTE in FY 2026): This position would consider policy implications of EITE exemptions including, models in other states or jurisdictions. This position would also coordinate with industry sectors and evaluate the leakage, and identify early actions to reduce emissions, examine availability of alternative fuels and benchmarking of emissions intensity in production processes.

-- Communications Consultant 5 (0.1 FTE in FY 2026): This position would implement a communications

strategy to ensure that impacted groups and the public are informed of opportunities to contribute to recommendations.

-- Community Education and Outreach Specialist 3 (0.2 FTE in FY 2026): This position would provide outreach coordination for public input on report recommendations, and organize meetings.

-- Regulatory Analyst 3 (0.15 FTE in FY 2026): This position would advise on the legislative report writing process, participate in meetings, and work with the Environmental Specialist on drafting and editing the report.

Carbon Pollution Tax Report (Section 6)

Section 6 would require Commerce, in consultation with DOR and Ecology, to submit a report on or before December 31, 2024, and by December 31st of each even-numbered year thereafter. The report would contain recommendations for modifications or improvements to the chapter created in the bill and include data on total carbon pollution tax collected, estimated administration costs, and economic, health, and environmental impacts of implementation. It is assumed that Ecology would supply Commerce with our estimated administrative costs directly associated with administering the carbon tax. It is assumed these costs would be tracked as part of implementation. Reporting this available information to Commerce would not result in a fiscal impact to Ecology.

Technical Assistance (Section 7)

Section 7 would allow DOR to request technical assistance from Ecology, Commerce, and the Washington State University extension energy program as necessary to implement the chapter. Ecology assumes that the technical assistance needed to implement this chapter is included in the fiscal estimates for sections 2, 3, and 4. Any additional assistance required by DOR is indeterminate at this time.

Funding Programs (Section 17)

Section 17 would have an indeterminate fiscal impact to Ecology.

Section 17(2) would authorize expenditures from the Natural Climate Solutions Account to be used for specified clean water and healthy forests investments to improve resilience from climate impacts. Section 17(2)(a) includes investments to: (i) restore and protect estuaries, fisheries, and marine shoreline habitats, and prepare for sea level rise including fish passage correction investments; (ii) increase the ability to remediate and adapt to the impacts of ocean acidification; (iii) reduce flood risk and restore natural floodplain ecological function; (iv) increase the sustainable supply of water and improve aquatic habitat, including groundwater mapping and modeling; (v) improve infrastructure treating stormwater; and (vi) preserve or increase carbon sequestration and storage benefits in agricultural soils and timber stock. Section 17(2)(b) includes investments to: (i) increase resilience to wildfire; (ii) improve forest health; and (iii) assist forestland owners in the protection of riparian and other sensitive aquatic areas by providing compensation for easements.

Under section 8, beginning July 1, 2023 (FY 2024), 25 percent of the funds available in the Climate Finance Account, after annual transfers to the Climate Bond Retirement Account and costs to administer this chapter,

would be deposited in the Natural Climate Solutions Account. Ecology assumes programs for the Natural Climate Solutions Account would be a mix of funding from the operating and capital budget.

Under current law, Ecology has operating and capital budget programs related to several of the funding areas identified under section 17(2)(a), including: (i) protection and restoration of marine shoreline habitats, (iii) reduction of flood risk and restoration of natural floodplains, (iv) increasing water supply, and (v) increasing infrastructure treating stormwater.

Ecology assumes that some of the investment areas under section 17(2)(a) would be administered by Ecology. However, the bill does not specify which agency would implement these programs. Therefore, Ecology would have an indeterminate fiscal impact to the operating and capital budget for implementation of programs under section 17 from the Natural Climate Solutions Account beginning in FY 2024.

Rulemaking: Ecology assumes some of the investment areas administered under section 17 would be grant programs. Section 5 of this bill would provide authority for agencies to adopt rules as necessary to administer this chapter. Ecology assumes that we could begin the grant programs without rule changes given language in statute and existing rules, but that we would need to do rulemaking for grant programs to ensure alignment with this bill and guidance from the panel specified in section 18, and to meet criteria outlined in section 15. The costs for this rulemaking are indeterminate pending determination of which programs Ecology would conduct under the activities described in section 17, as well as guidance provided by the environmental and economic justice panel. Ecology assumes costs for grant program rules would be estimated and requested through the budget process.

Environmental Justice Panel (Section 18)

Section 18 would establish an Environmental and Economic Justice Panel to provide recommendations in the development and implementation of the programs, projects, and activities on GHG reduction and natural climate solutions authorized in the chapter.

Based on OFM assumptions, Ecology assumes the Environmental and Economic Justice Panel would be appointed by July 1, 2021, and that the Governor's Office of Equity would provide support for the panel. The Panel would hold six one-day in-person meetings in FY 2022. In FY 2023 and ongoing there would be four meetings per fiscal year. Ecology assumes that Ecology staff would provide technical guidance to support Panel decisions requiring staff as follows:

-- Environmental Planner 5 equivalent (1.0 FTE in FY 2022 and 0.5 FTE in FY 2023 and ongoing): This position would represent staff across multiple Ecology programs to provide technical expertise and analysis in the subjects of climate change mitigation and resilience, clean water investments, estuary and marine shoreline habitat restoration, sea level rise impacts, and flood plain restoration as well as water supply and stormwater management.

Tribal Consultation (Section 19)

For any funds received under this bill, Ecology would be required to consult with tribes on all decisions that may affect tribes' rights and interests in their tribal lands. A consultation framework would need to be developed in coordination with tribal governments that includes best practices, protocols for communication, and collaboration

with Indian tribes. We estimate this work would require:

-- Agency Tribal Liaison (0.1 FTE in FY 2022): This position would coordinate with tribal governments to establish the consultation framework.

-- Environmental Planner 5 (0.15 FTE in FY 2022): This position would assist with the framework and provide policy and technical expertise.

This work would also add time for agency staff to conduct the consultation with tribes, however this cost is indeterminate since it is unspecified which activities Ecology would implement under the bill.

SUMMARY: The expenditure impact to Ecology under this bill would be funded from general fund-state for FY 2022 and the first half of 2023. Costs in the second half of FY 2023 and thereafter are assumed from the Climate Finance Account.

Carbon Calculation is estimated to require:

FY 2022: \$487,970 and 2.1 FTEs

FY 2023: \$255,377 and 1.9 FTEs

FY 2024: \$175,054 and 1.3 FTEs

EITE Exemptions are estimated to require:

FY 2022: \$72,041 and 0.6 FTEs

FY 2026: \$186,080 and 1.4 FTEs

Environmental Justice Panel is estimated to require:

FY 2022: \$173,819 and 1.2 FTEs

FY 2023: \$86,909 and 0.6 FTEs

FY 2024: \$86,909 and 0.6 FTEs

FY 2025: \$86,909 and 0.6 FTEs

FY 2026: \$86,909 and 0.6 FTEs

FY 2027: \$86,909 and 0.6 FTEs

Tribal Consultation is estimated to require:

FY 2022: \$45,983 and 0.3 FTEs

FY 2023 and ongoing: Indeterminate

Funding Programs under the Natural Climate Solutions Account:

FY 2024 and thereafter: Indeterminate

THE TOTAL EXPENDITURE IMPACT to Ecology under this bill is estimated to be:

FY 2022: \$779,813 and 4.1 FTEs

FY 2023: \$342,286 and 2.5 FTEs

FY 2024: \$261,963 and 1.9 FTEs

FY 2025: \$86,909 and 0.6 FTEs

FY 2026: \$272,989 and 2.0 FTEs

FY 2027: \$86,909 and 0.6 FTEs

Notes on costs by object:

Salary estimates are current biennium actual rates at Step L.

Benefits are the agency average of 36.7% of salaries.

Contracts costs include \$200,000 for a private contractor to employ the GREET model in FY 2022.

Goods and Services are the agency average of \$4,144 per direct program FTE and an additional \$3,000 in each of FY 2022 and FY 2023 for rulemaking meeting costs. Also included is \$9,540 for AAG costs in FY 2022.

Travel is the agency average of \$2,182 per direct program FTE.

Equipment is the agency average of \$1,201 per direct program FTE.

Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 27.4% 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 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	779,813	171,643	951,456	0	0
NEW-1	Climate Finance Account	State	0	170,643	170,643	348,872	359,898
Total \$			779,813	342,286	1,122,099	348,872	359,898

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 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	4.1	2.5	3.3	1.3	1.3
A-Salaries and Wages	310,167	185,352	495,519	190,943	197,146
B-Employee Benefits	113,832	68,026	181,858	70,077	72,351
C-Professional Service Contracts	200,000		200,000		
E-Goods and Other Services	27,458	12,074	39,532	8,991	9,117
G-Travel	7,855	4,780	12,635	4,735	4,800
J-Capital Outlays	4,324	2,628	6,952	2,606	2,643
9-Agency Administrative Overhead	116,177	69,426	185,603	71,520	73,841
Total \$	779,813	342,286	1,122,099	348,872	359,898

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 2022	FY 2023	2021-23	2023-25	2025-27
COM OUTREACH & ENV ED SP 3	61,224	0.2	0.2	0.2	0.1	0.1
COMM CONSULTANT 5	84,396					0.1
ECONOMIC ANALYST 3	82,344				0.1	
ENVIRONMENTAL PLANNER 3	78,408	1.2	1.0	1.1	0.2	
ENVIRONMENTAL PLANNER 5	95,484	1.7	1.0	1.3	0.6	0.8
ENVIRONMENTAL SPEC 5	78,408	0.5		0.3		0.1
FISCAL ANALYST 2		0.4	0.2	0.3	0.1	0.1
IT APP DEVELOP-JOURNEY		0.2	0.1	0.2	0.1	0.1
REGULATORY ANALYST 2	80,292				0.1	
REGULATORY ANALYST 3	90,888					0.1
WMS BAND 3	110,000	0.1		0.1		
Total FTEs		4.1	2.5	3.3	1.3	1.3

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

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

IV. B - Expenditures by Object Or Purpose

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

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

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

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

NONE

Funding Programs – Sections 12 and 17

Sections 12 and 17 would have an indeterminate fiscal impact to Ecology.

Section 17(2) would authorize expenditures from the Natural Climate Solutions Account to be used for specified clean water and healthy forests investments to improve resilience from climate impacts. Under section 8, beginning July 1, 2023 (FY 2024), 25 percent of the funds available in the Climate Finance Account, after annual transfers to the Climate Bond Retirement Account and costs to administer this chapter, would be deposited in the Natural Climate Solutions Account. Ecology assumes programs for the Natural Climate Solutions Account would be a mix of funding from the operating and capital budget.

Section 12 would establish the Climate Bond Proceeds Account using proceeds from the sale of bonds authorized under section 9 in the amount of \$4,943,000,000 over ten years per section 10. Funds from this account could only be used for purposes described in sections 16 and 17. OFM assumes funding for capital projects for the purposes of sections 16 and 17 would begin in FY 2022 and be appropriated over 5 biennia. Based upon the distribution of revenue in section 8, OFM assumes that bonds authorized in section 9 would be split with 75% going to eligible programs and projects for section 16 and 25% going for eligible programs and projects described in section 17. Allowable expenditures from Climate Bond Proceeds Account include bond repayment and issuance cost, capital projects that meet the requirements of OFM capital budget instructions, and administration costs directly related to the identified capital projects.

Under current law, Ecology has operating and capital budget programs related to several of the funding areas identified under section 17(2)(a), including: (i) protection and restoration of marine shoreline habitats, (iii) reduction of flood risk and restoration of natural floodplains, (iv) increasing water supply, and (v) increasing infrastructure treating stormwater.

Ecology assumes that some of the investment areas under section 17(2)(a) would be administered by Ecology. However, the bill does not specify which agency would implement these programs. Therefore, Ecology would have an indeterminate fiscal impact to the capital budget for implementation of programs under section 17 from the Climate Bond Proceeds Account beginning in FY 2022, and from the Natural Climate Solutions Account beginning in FY 2024.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 3 would require Ecology to conduct rulemaking to adopt criteria for making the carbon calculation.

Ecology also assumes we would conduct rulemaking under section 5 authority if new grant programs were to be established related to activities under section 17 to ensure alignment with this bill and guidance from the panel.



Ten-Year Analysis

Bill Number 5373 SB	Title Carbon Pollution	Agency 461 Department of Ecology
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts **Partially Indeterminate Cash Receipts** **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code												
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Agency Approval: Erik Fairchild	Phone: 360-407-7005	Date: 2/12/2021 2:21:14 pm
OFM Review:	Phone:	Date:

SB 5373 Carbon Pollution Tax - Department of Ecology Fiscal Note Expenditure Overview

OPERATING BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Section 3 - Carbon Calculation	487,970	255,377	175,054	0	0	0
Total FTEs	2.1	1.9	1.3	0.0	0.0	0.0
Staff costs	275,430	252,377	175,054	0	0	0
GREET model contract	200,000					
AAG costs	9,540					
Meeting costs	3,000	3,000				
Section 4 -- EITE Exemptions	72,041	0	0	0	186,080	0
Total FTEs	0.6	0.0	0.0	0.0	1.4	0.0
Staff costs	72,041	0	0	0	186,080	0
Section 17 - Natural Climate Solutions Account	0	0	Expenditures are Indeterminate beginning FY 2024			
Section 18 - Environmental Justice Panel	173,819	86,909	86,909	86,909	86,909	86,909
Total FTEs	1.2	0.6	0.6	0.6	0.6	0.6
Staff costs	173,819	86,909	86,909	86,909	86,909	86,909
Section 19 - Tribal Consultation Framework	45,983					
Total FTEs	0.3					
Staff costs	45,983					
Consultation	Expenditures are Indeterminate beginning FY 2022					
ECOLOGY TOTAL OPERATING FTEs	4.1	2.5	1.9	0.6	2.0	0.6
ECOLOGY TOTAL OPERATING EXPENDITURES	779,813	342,286	261,963	86,909	272,989	86,909
	Additional Indeterminate Expenditures for Sections 7, 17, and 19					

*Total FTEs include 0.15 FTE administrative overhead. Staff costs include salary and benefits, travel, equipment, goods and services, and administrative overhead.

CAPITAL BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Section 12 - Climate Bond Proceeds Account	Expenditures are Indeterminate beginning FY 2022					
Section 17 - Natural Climate Solutions Account	0	0	Expenditures are Indeterminate beginning FY 2024			
ECOLOGY TOTAL CAPITAL FTEs						
ECOLOGY TOTAL CAPITAL EXPENDITURES	Capital Expenditures are Indeterminate for Sections 12 and 17					