Initiative Measure No.

1631

Initiative Measure No. 1631 concerns pollution.

This measure would charge pollution fees on sources of greenhouse gas pollutants and use the revenue to reduce pollution, promote clean energy, and address climate impacts, under oversight of a public board.

Should this measure be enacted into law?

[ ] Yes
[ ] No

The Secretary of State is not responsible for the content of statements or arguments (WAC 434-381-180).

Explanatory Statement

Written by the Office of the Attorney General

The Law as it Presently Exists

Under existing law, Washington has set goals to reduce greenhouse gases emitted in Washington. Those gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and other gases designated by the Department of Ecology. The goals are to reduce greenhouse gas emissions in the state to 1990 levels by 2020 and to continue reducing greenhouse gas emissions to achieve fifty percent of 1990 levels by 2050. The Department of Commerce is responsible for developing a plan to reduce greenhouse gas emissions and reporting progress toward meeting the state's goals. State agencies are required to reduce greenhouse gas emissions by certain specified levels.

Various laws and state agency rules relate to the reduction of greenhouse gas emissions. These include emission standards for certain power plants, renewable fuel standards, building codes, requirements for utilities to use renewable resources, converting state vehicles to clean fuels, motor vehicle emission standards, and land use laws such as the Growth Management Act, which encourage efficient transportation systems.

Under the State Environmental Policy Act (SEPA), state and local government must engage in a variety of public processes to review, avoid, or minimize environmental impacts. These processes include analyzing greenhouse gases and considering input from individuals and Indian tribes concerning environmental impacts of state permitting or other action.

The Effect of the Proposed Measure if Approved

This measure would impose a pollution fee on large emitters of greenhouse gases. Money raised by the fee would be used for certain environmental programs and projects. The measure would create a public oversight board to implement the measure and approve funding for programs and projects. It also sets forth procedures for proposing and approving the programs and projects that could be funded by money generated from the new fee.

The pollution fee imposed by the measure would apply to fossil fuels sold or used within this state and electricity generated within or imported into this state. Fossil fuels include motor vehicle fuel and other petroleum products intended for combustion, natural gas, coal, coke, and any form of fuel created from these products. The pollution fee would be collected only one time on any particular unit of fossil fuels or energy. This means that the fee would not have to be paid again by subsequent sellers or users of the same fuel or energy.

The fee imposed on fossil fuels would be collected from various persons or companies. For motor vehicle fuel and "special fuel" (diesel and certain other fuels), the fee would be collected from fuel licensees who currently pay the motor vehicle fuel taxes on those fuels. For natural gas, the fee would be collected from natural gas public utilities or entities that pay the state's natural gas use tax. For refinery facilities, the fee would be collected from the refinery for fossil fuels consumed or used by the refinery. The fee may also be collected from a seller of fossil fuels to end users or consumers, a seller of fuel used for certain combined heat and power, or from other persons designated by the Department of Revenue.

The fee imposed on electricity would be collected from importers of electricity generated using fossil fuels, importers of electricity generated from an unspecified source, or a power plant located in Washington that generates electricity using fossil fuels.

The fee charged would be based on the amount of carbon content in the fossil fuels. In the case of electricity, the fee would be based on the carbon content of the fossil fuels used to generate the electricity. "Carbon content" means the carbon dioxide equivalent released from burning or oxidation of fossil fuels. Carbon dioxide equivalent is a measure used to compare emissions from various greenhouse gases based on their global warming potential. So the carbon content of a fossil fuel is a measure of the carbon dioxide and other greenhouse gases that are released when the fossil fuel is burned or otherwise consumed. For purposes of calculating the fee, the Department of Ecology is responsible for determining the carbon content of fossil fuels or inherent in electricity.

Beginning January 1, 2020, the pollution fee is set at fifteen dollars per metric ton of carbon content. The fee increases by two dollars per metric ton each year and is also adjusted for inflation each year. The two-dollar annual increases continue until the state's existing greenhouse gas reduction goal for 2035 is met and the state is on pace and likely to meet the 2050 greenhouse gas reduction goal. At that time, the pollution fee will be fixed, except for the annual inflation adjustments.

The measure would not impose the fee in certain circumstances. For example, the fee would not apply to fossil fuels brought into Washington in the fuel supply tank of a motor vehicle, vessel, locomotive, or aircraft. It would not apply to fossil fuels exported or sold for export outside Washington. It would not apply to fossil fuels supplied to a light and power business for purposes of generating electricity. It would not apply to fossil fuels and electricity sold to and used by certain facilities designated by the Department of Commerce as within energy-intensive and trade-exposed industries. It would not apply to aircraft fuels, certain fuel used for agricultural purposes, and motor vehicle fuel or special fuel currently exempt from taxation. It would not apply to Indian tribes and Indians in circumstances where they are exempt from state taxation. The fee would not apply to facilities that generate electricity by burning coal, if those facilities are legally bound to close by 2025 or to comply with certain emission standards by 2025.

The measure also allows for credits in certain circumstances. For example, a fee-payer may receive a credit if the fossil fuel or electricity is subject to a similar fee on carbon content in another jurisdiction and the fee-payer receives approval from the Department of Commerce. A light and power business or gas distribution business, also known as a utility, may receive a credit up to the full amount of the fee for investments in programs, activities, or projects consistent with a clean energy investment plan. But to receive that credit, the utility's clean energy investment plan must be approved by the state Utilities and Transportation Commission (for investor-owned utilities) or the Department of Commerce (for consumer-owned utilities).

The measure would establish a public oversight board to implement the new law. The board would have fifteen voting members: the chair; the Commissioner of Public Lands; the directors of the Department of Commerce, the Department of Ecology, and the Recreation and Conservation Office; four at-large positions; and six co-chairs of three investment panels. The three investment panels would be created by the measure and would provide advice and recommendations to the board and assist in developing criteria for approving spending on certain projects. There would be certain requirements for the at-large positions and the six co-chairs.

The board would have numerous powers and duties. It would make decisions about which projects and programs to fund with the moneys raised by the pollution fee. It would review and approve rules developed by other agencies that set guidelines for the various programs required or funded by the measure. The board would consult with other agencies and government bodies, Indian tribes, and others in developing projects. It would report to the Governor and Legislature regarding progress and challenges in implementing the measure.

The measure would require consultation with Indian tribes by any state agency implementing the law, or receiving funding for projects, on decisions that may directly affect Indian tribes and tribal lands. The board could not approve spending on projects that directly affect an Indian tribe's lands or usual and accustomed fishing areas without first engaging in this formal consultation and following a mutually agreed timeline for the consultation. If a project is funded without this consultation and directly affects lands owned or controlled by an Indian tribe or affects lands where a tribe has a significant interest, action on the project must cease upon request by an affected Indian tribe.

The measure would place all pollution fees collected in the state treasury in an account called the "clean up pollution fund." Expenditures from the fund would be limited to certain investments defined in the measure. The measure includes certain criteria that must be considered when approving funding.

The measure would allow money from the clean up pollution fund to be used for reasonable administrative costs. After administrative costs, the clean up pollution fund must be used for certain categories of investments: seventy percent of the clean up pollution fund must be spent on clean air and clean energy investments, twenty-five percent for clean water and healthy forest investments, and five percent for healthy communities investments. The board may allow different percentages in certain circumstances.

The measure defines clean air and clean energy investments as programs, activities, or projects that reduce pollution or that assist affected workers or people with lower incomes. As noted above, seventy percent of the fund would be spent in this category. The measure identifies some programs that fit this spending category, including those that promote renewable energy such as solar and wind power; that increase energy efficiency; that reduce transportation-related carbon emissions through use of electric vehicles or public transportation; and that promote the capturing and storing of carbon in water, soil, forests, or other natural areas. At least fifteen percent of the clean air and clean energy investments must be used to reduce the energy burden of people with lower incomes through programs such as assistance with paying energy bills, promoting public or shared transportation, and reducing energy consumption. In addition, within four years, a minimum of $50 million would be set aside for a program to support fossil-fuel workers who are affected by the transition away from fossil fuels. The program may include wage replacement, health benefits, pension contributions, retraining costs, and other services.

The Department of Commerce, in consultation with others, must propose rules and criteria for disbursing funds for clean air and clean energy investments. The proposed rules and criteria must be approved by the board. The measure includes certain requirements for the rules and criteria for disbursing funds and includes certain goals for reducing carbon emissions and global temperature increases.

The second spending category for the clean up pollution fund is to address the impacts of climate change on the state's waters and forests. Twenty-five percent of the fund will be spent in this category. Examples for this category include spending to restore and protect state waters, to address ocean acidification, to reduce flood risk, to reduce risk of wildfires, and to address other impacts of climate change. Various state agencies are responsible for proposing rules and criteria for eligible programs. The rules and criteria for these programs must be approved by the board.

Finally, the third spending category for the clean up pollution fund is to prepare communities for the impacts of climate change and to help certain populations who are particularly affected by climate change. Five percent of the fund will be spent in this category. In this category, funds can be used for wildfire prevention and preparedness, relocation of communities on tribal lands affected by sea level rise and floods, and public school education about the impacts of climate change and ways to reduce pollution. A portion of this fund must be used to help communities participate in carrying out the measure, such as help in preparing proposals for projects.

In addition to the spending requirements for these three categories, the measure imposes other requirements on spending. At least thirty-five percent of spending from the clean up pollution fund must provide direct and meaningful benefits to what the measure calls “pollution and health action areas.” The Department of Health designates those areas based on University of Washington analyses of vulnerable populations and environmental burdens. A particular area partially or fully within Indian reservations or other Indian lands would also qualify as a pollution and health action area. At least ten percent of funds must be spent for projects formally supported by a resolution of an Indian tribe, and ten percent must be spent for projects located in and benefiting a pollution and health action area.

Fiscal Impact Statement

Written by the Office of Financial Management
For more information visit www.ofm.wa.gov/ballot

FISCAL IMPACT SUMMARY

Initiative 1631 imposes a pollution fee on large emitters of greenhouse gases. The fee will raise $2,295,785,000 during the first five fiscal years. The additional Utilities and Transportation Commission regulatory fee will raise $9,685,072 during the first five fiscal years. A public oversight board is established to supervise revenue expenditures to reduce carbon pollution, promote clean energy and address climate impacts to the environment and communities. Twelve state agencies and two higher education institutions are estimated to expend $27,178,592. The remaining expenditures cannot be estimated until the public board approves investment plans. Local government expenditures are estimated to be $158,623,072.

GENERAL ASSUMPTIONS

- The effective date of the initiative is Dec. 6, 2018.
- The provisions of the initiative apply prospectively, not retroactively.
- Because the pollution fee will not be collected until Jan. 1, 2020, it is assumed that all costs for state agencies, except the Utilities and Transportation Commission (UTC), to implement the initiative before this date will be paid from the State General Fund. UTC costs are paid from the Public Service Revolving Account.
- Estimates use the state’s fiscal year of July 1 through June 30. Fiscal year 2019 is July 1, 2018, to June 30, 2019.

REVENUE

Local Revenue

The initiative will not impact local revenue.

State Revenue

The initiative would generate an estimated $2,305,470,073 over five fiscal years from the state pollution fee and UTC regulatory fees.

State Pollution Fee

The initiative would impose a pollution fee on large emitters of fossil fuels based upon the carbon content of fossil fuels sold or used within the state, electricity generated within the state (including out-of-state sales) and electricity imported for consumption in the state. Beginning Jan. 1, 2020, the pollution fee is set at $15 per metric ton of carbon content. The fee would increase by $2 per metric ton each year and is also adjusted for inflation each year. The $2 annual increases would continue until the state’s existing greenhouse gas reduction goal for 2035 is met and the state is on pace and likely to meet the 2050 greenhouse gas reduction goal. At that time, the pollution fee would be fixed, except for annual inflation adjustments. The initiative would provide exemptions from the fee for certain fossil fuels and facilities.

The initiative would allow qualifying light and power businesses or gas distribution businesses to claim credits up to 100 percent of the pollution fee for investments made through clean energy investment plans that are approved by the UTC for investor-owned utilities and by the Department of Commerce for consumer-owned utilities.

All revenues from the pollution fee are deposited into the Clean Up Pollution Fund.

STATE REVENUE ASSUMPTIONS

Revenue estimates are based on: 1) the U.S. Energy Information Agency (EIA) 2018 Annual Energy Outlook; 2) the IHS Markit June 2018 forecast of the Consumer Price Index for All Urban Consumers (CPI-U); and 3) the Washington State Department of Commerce, State Energy Office, Carbon Tax Assessment Model (CTAM) – version 3.5. The Department of Commerce periodically updates data in the CTAM. Any data updates to the CTAM made between preparation and publication of this fiscal impact statement are not reflected in the estimates displayed here. Although the initiative specifies that the US Bureau of Labor Statistic price index for all urban wage earners and clerical workers (CPI-W) is used to calculate the inflationary increase in the carbon fee, the Department of Revenue does not have access to a forecast for CPI-W so the CPI-U is used instead.

The following assumptions are made in the CTAM for modeling purposes:

- Year one is set to calendar year 2020 to most closely correspond to the Jan. 1, 2020, effective date of the proposed pollution fee.
- The baseline reference energy forecast (option A) is specified, which corresponds to the EIA Annual Energy Outlook 2018 reference case.
- Marine fuels are exempted.
- Aircraft fuels are exempted.
- "Transition coal," i.e., power generated from coal plants scheduled to close by 2025, is exempted.
- Power generated from Colstrip plants 1 and 2 are exempted since they are legally bound to cease operations by Dec. 31, 2025.

The following have been factored into the modeling to the extent possible:

- An exemption for aircraft fuels.
- An exemption for maritime fuels.
- An exemption for pollution emissions from coal closure facilities.
- An exemption for the fossil fuels and electricity sold to or used onsite by facilities with a primary activity that falls into an Energy Intensive Trade Exposed (EITE) sector. (Note that due to lack of available data, no attempt has been made to model the impact of this exemption for qualifying support facilities.)
- Facility-specific emissions data has been drawn from the Washington State Department of Ecology's Greenhouse Gas Reporting Program, which requires facilities that emit at least 10,000 metric tons of CO2 per year in Washington to report. Note that facilities that emit fewer than 10,000 metric tons of CO2 per year in Washington are not included in the data set used for estimating the EITE exemption.
- Emissions estimates have been adjusted to the extent possible to remove biogenic fuel emissions, non-CO2 emissions and industrial process emissions.
- Zero growth is assumed for EITE facility emissions into the future.
- The initiative defines "carbon content" to include both CO2 emissions and other CO2 equivalents (methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, nitrogen trifluoride) released through the combustion or oxidation of fossil fuels. The revenue from this proposal could be approximately 1 percent higher than modeled because the CTAM does not apply a tax or fee to CO2 equivalents.
- Five months of cash collections are reflected in fiscal year 2020 due to the Jan. 1, 2020, effective date for the pollution fee.
- No credits are granted for payment of a similar fee in other jurisdictions.
- Qualifying light and power businesses or gas distribution businesses are assumed to claim credit for 100 percent of the pollution fees for which they are liable.

State Revenue Impacts

(See Table 1 on page 14)

Pollution Fee Revenues Distribution Assumptions and Descriptions

Following deductions for administrative costs, 70 percent of the balance in the Clean Up Pollution Fund will be deposited into the Clean Air and Clean Energy Account, 25 percent will be deposited into the Clean Water and Healthy Forests Investments Account and 5 percent will be deposited into the Healthy Communities Account.

In addition, the initiative defines investor-owned utility-retained credits in the utilities' Clean Energy Investment Account as gross operating revenue subject to UTC regulatory fees. This fee is equal to one-tenth of 1 percent of the first $50,000 of gross operating revenue, plus two-tenths of 1 percent of any gross operating revenue in excess of $50,000. In addition, each investor-owned utility must pay an annual fee of up to 1 percent of credited fees deposited into the Clean Energy Investment Account for UTC administrative costs to implement the initiative. It is assumed that the fee is set annually at 1 percent and excludes any amounts retained by consumer-owned utilities. These revenues would be deposited into the Public Service Revolving Account.

The initiative specifies that the Clean Up Pollution Fund may be used to pay for reasonable administrative costs. It is assumed that "administrative costs" include tax administration and other tasks necessary to implement the initiative unless a state agency has a usual fund source for the work required by the initiative.

(See Table 2 on page 14)

STATE GOVERNMENT EXPENDITURES

State Agency Implementation Cost Assumptions

Because the pollution fee will not be collected until Jan. 1, 2020, it is assumed that all costs for state agencies, except UTC, to implement the initiative before this date will be paid from the State General Fund. UTC costs are paid from the Public Service Revolving Account.

The initiative would establish a public oversight board (POB) to implement the new law. The POB adopts all programmatic policies, procedures and rules per the State Administrative Procedures Act for programs funded through the Clean Air and Clean Energy Account, the Clean Water and Healthy Forests Investments Account and the Healthy Communities Account. Utility investment plans are approved by the Department of Commerce and UTC by Dec. 31, 2020, to allow utilities to obtain pollution fee credits.

POB activity is phased as follows: 1) formation and organization; 2) programmatic rule makings and review and approval of investment plans; 3) project approvals and updates to rules, policies and procedures; 4) appropriation recommendations to the Legislature; and 5) tribal consultations throughout.

The POB would meet bimonthly in Olympia beginning March 1, 2019. From March 2019 through January 2020, the POB would hold one-day meetings; from February 2020 through January 2021, each meeting would last two days, with one-day meetings thereafter.

For each of the three Investment Advisory Panels, meeting length, location and frequency would mirror that of the POB, except that panel meetings would start in July 2019.

The Department of Health would begin work on Jan. 1, 2019, to designate pollution and health action areas and would complete this task by July 31, 2019.

To meet the requirement that state agencies submit all policies, procedures and rules related to expenditures from the Clean Air and Clean Energy Account, the Clean Water and Healthy Forests Investments Account and the Healthy Communities Account to the POB by Jan. 1, 2020, state agency work would begin on Jan. 1, 2019. State agencies would also begin work on Jan. 1, 2019, to develop the initial pollution reduction investment plans and rules that describe the processes and criteria to disburse funds from the Clean Air and Clean Energy Account, with review and approval by the POB by Jan. 1, 2020. A permanent pollution reduction investment plan and rule would be submitted to the POB by Jan. 1, 2022.

The Department of Ecology would begin work on Jan. 1, 2019, and would adopt emergency rules by Nov. 1, 2019, that specify the carbon content inherent in or associated with covered fossil fuels and electricity.

STATE AGENCY EXPENDITURES

State agency costs are estimated to be $27,178,592 over five fiscal years to implement the initiative. Costs by agency are:

- The Department of Revenue would incur costs estimated at $4,170,500 to administer pollution fee collection activities.
- The Office of the Governor would incur costs estimated at $8,326,874 for the staffing, operation, per diem and compensation of the POB and three investment panels that would review and adopt through the rule-making process, as needed, plans, procedures, criteria and rules for the programs as well as conduct effectiveness reviews.
- The Department of Commerce would incur costs estimated at $10,668,899 to draft the initial and final pollution reduction investment plans as well as the proposed rules for process and criteria to disburse funds from the Clean Air and Clean Energy Account. In consultation with the Environmental and Economic Justice Panel, the department would incur costs to develop a plan for investments that directly reduce the energy burden of people with lower incomes; design and implement comprehensive enrollment campaigns to inform and enroll people with lower incomes in energy assistance programs; create a program and provide assistance and support to workers in fossil fuel industries affected by the transition to a cleaner energy economy; and develop draft procedures and rules to provide community capacity grants to participate in implementing the initiative. The agency would participate in development of carbon emission standards, validate a facility's EITE designation and review petitions by fee payers for credits for similar pollution fees imposed by other states. It would also conduct effectiveness reviews of programs in achieving carbon reduction goals and implementing pollution reduction plans.
- The Department of Health would incur estimated costs of $631,000 to designate and update pollution and health action areas, participate on the POB and help support the Environmental and Economic Justice Panel and other investment panels.
- The Department of Ecology would incur both estimated costs and savings. Estimated costs of $3,325,787 would be incurred to develop procedures, criteria and rules for grant programs for increasing the ability to remediate and adapt to the impacts of ocean acidification, reducing flood risk and restoring natural floodplain ecological function, increasing the sustainable supply of water and improving storm water infrastructure from previously developed areas within an urban growth boundary. These costs would also enable Ecology to contribute to development of procedures, criteria and rules on restoring and protecting estuaries, fisheries and marine shoreline habitats, and preparing for sea level rise. The agency would also adopt emergency rules specifying the basis for the carbon content of covered fossil fuels and electricity, work in consultation with the Department of Commerce to select a default emission

factor for light and power businesses, and publish a default emissions factor for U.S. Bonneville Power Administration sales of electricity in Washington state. Ecology would also serve as a voting member of the POB, engage investment advisory panels and participate in conducting effectiveness reviews of programs in achieving carbon reduction goals and implementing pollution reduction plans. Ecology would incur estimated savings of $10,436,000 in the State General Fund and the State Toxics Control Account from adopting rules to eliminate the program supporting the Clean Air Rule (Chapter 173-442 Washington Administrative Code) and associated greenhouse gas emissions reporting (Chapter 173-441 Washington Administrative Code), for a net estimated savings of $7,110,213 over the five-year period.

- The Washington State Recreation and Conservation Office would incur estimated costs of $534,272 to develop proposed procedures, criteria and rules for a grant program to prevent the conversion and fragmentation of working forests, farmland and natural habitat that sequester carbon and provide additional ecological benefits and to participate in the development of proposed procedures, criteria and rules for clean water investments that improve resilience from climate impacts. The agency would also participate as a voting member of the POB.
- The Department of Fish and Wildlife would incur estimated costs of $423,600 to participate in development of proposed procedures, criteria and rules for clean water investments that improve resilience from climate impacts.
- The Puget Sound Partnership would incur estimated costs of $272,772 to participate in the development of proposed procedures, criteria and rules for clean water investments that improve resilience from climate impacts, review programs and projects for consistency with the Puget Sound Action Agenda, and participate in conducting effectiveness reviews of programs in achieving carbon reduction goals and implementing pollution reduction plans.
- The Department of Natural Resources would incur estimated costs of $2,573,400 to develop proposed procedures, criteria and rules to sequester carbon through blue carbon projects, invest in healthy forests and enhance community preparedness and awareness of wildfires. Costs would also support tribal communities to suppress, prevent and recover from wildfires, and relocate tribal communities impacted by flooding and sea level rise. The agency would also participate in development of proposed procedures, criteria and rules for clean water investments that improve resilience from climate impacts.
- The Washington State Department of Agriculture would incur estimated costs of $485,000 to develop proposed procedures, criteria and rules for a program to increase soil sequestration and reduce emissions from the loss and disturbance of soils.
- The UTC would incur estimated costs of $4,800,418 to review and approve private utilities' clean energy investment plans, review utilities' annual reports on implementing their clean energy investment plans, conduct necessary rule making, support the POB and the investment panels, undertake tribal consultation on clean energy investments and participate in development of an effectiveness report.
- The University of Washington would incur estimated costs of $797,070 for its Department of Environmental and Occupational Health Sciences to assist the Department of Health in designating and updating pollution and health action areas, and for the Climate Impacts Group to provide technical assistance to the Department of Natural Resources in developing programs and allocating funds for the clean water and healthy forest investments that increase resilience from climate impacts on wildlife and forest health and for investments to prepare communities for challenges caused by climate change.
- The Washington State University Energy Program would incur estimated costs of $525,000 to participate in drafting the initial and final pollution reduction investment plans.
- The Office of Superintendent of Public Instruction would incur estimated costs of $80,000 for developing and implementing education programs and teacher development programs to expand awareness of and increase preparedness for the environmental, social and economic impacts of climate change and strategies to reduce pollution.

(See Table 3 on page 15)

LOCAL GOVERNMENT AND SCHOOL DISTRICT EXPENDITURES

(See Table 4 on page 15)

Cities, public utility districts, port districts and other local governments that provide electricity and natural gas services would potentially be required to pay the pollution fee. It is estimated that 43 local governments would likely be impacted by the initiative. Publicly owned utilities could either pay the pollution fee or claim a credit for state-approved clean-energy investments. It is assumed that publicly owned utilities operated by local governments would incur costs of $158,623,072 over four years, primarily for state-approved clean-energy investments made in lieu of pollution fees for which they would be liable.

Key assumptions used to generate these estimates are:

- Pollution fee estimates are based upon the Department of Commerce's 2016 Washington State Electric Utility Fuel Mix Disclosure Report and the EIA 2016 data on natural gas utility deliveries.
- All consumer-owned utilities will withhold 100 percent of pollution-fee liability as pollution-fee credits equal to the value of clean-energy investments; however, the specific types of programmatic investments are unknown at this time. Jurisdictions choosing to participate in credit-eligible activities will incur indeterminate costs related to developing clean energy investment plans, applying for credits and reporting on funding usage.
- Neither the mix of fuels associated with electricity sources nor the demand for carbon-based fuels changes from 2016 reported levels. Local governments generally do not have the ability to modify their fuel mixes in the near term, and the impact of utility clean-energy investments on fuel mix and electricity demand are unknown at this time.

The Office of Superintendent of Public Instruction estimates that there are approximately 30 school districts that operate their own fueling distribution facilities that service their school bus fleets. To the extent these districts purchase fuel from out-of-state suppliers, they would be liable for the pollution fee. The source of fuel for these facilities is unknown, so no estimate is included of any potential costs to school districts. Similarly, the pollution fee liability incurred by local governments operating their own fuel-distribution facilities supplied with fuel imported directly from out of state is not known at this time.

Table 1 – Pollution fee revenues deposited into the Clean Up Pollution Fund

State Revenue Impact	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Clean Up Pollution Fund	$0	$238,374,000	$610,047,000	$686,365,000	$760,999,000

Table 2 – State revenues

State Revenue Impact by Fund	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Clean Up Pollution Fund (Administration)	$0	$4,670,163	$6,495,803	$6,106,598	$4,840,946
Clean Air and Clean Energy Account	$0	$163,592,686	$422,485,838	$476,180,881	$529,310,638
Clean Water and Healthy Forest Account	$0	$58,425,959	$150,887,799	$170,064,601	$189,039,514
Healthy Communities Account	$0	$11,685,192	$30,177,560	$34,012,920	$37,807,903
Public Service Revolving Account	$0	$996,266	$2,545,019	$2,898,850	$3,244,937
State Total	**$0**	**$239,370,266**	**$612,592,019**	**$689,263,850**	**$764,243,938**

Table 3 – State Expenditures from the State General Fund, the Clean Up Pollution Fund, the Public Service Revolving Account and the State Toxics Control Account					
Agency	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
Governor's Office	$174,180	$2,109,440	$2,031,220	$1,930,146	$2,081,888
Department of Revenue	$0	$1,764,400	$819,700	$810,700	$775,700
Department of Commerce	$2,452,979	$2,542,708	$1,657,286	$2,649,444	$1,366,482
Department of Health	$315,000	$46,000	$162,000	$62,000	$46,000
Department of Ecology	$(467,705)	$(701,365)	$(1,943,750)	$(1,905,164)	$(2,092,229)
Recreation and Conservation Office	$118,846	$261,226	$139,846	$7,177	$7,177
Department of Fish and Wildlife	$62,800	$191,000	$169,800	$0	$0
Puget Sound Partnership	$33,419	$33,420	$33,104	$93,098	$79,731
Department of Natural Resources	$650,700	$1,241,100	$648,800	$16,400	$16,400
Department of Agriculture	$118,000	$224,000	$143,000	$0	$0
Utilities and Transportation Commission	$253,294	$843,092	$1,111,404	$1,479,395	$1,113,233
University of Washington	$208,518	$160,161	$142,797	$142,797	$142,797
Washington State University	$75,000	$175,000	$125,000	$100,000	$50,000
Office of Superintendent of Public Instruction	$0	$80,000	$0	$0	$0
Total	**$3,995,031**	**$8,970,182**	**$5,240,207**	**$5,385,993**	**$3,587,179**

Table 4 – Total local government expenditure impact					
	FY 2019	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
Publicly Owned Utilities	$0	$18,811,545	$40,579,011	$46,552,927	$52,679,589
Local Government Total	**$0**	**$18,811,545**	**$40,579,011**	**$46,552,927**	**$52,679,589**

Argument for

Building a Cleaner Healthier Future for Our Kids
We have a responsibility to future generations to pass on a healthier place to live. Initiative 1631 is a sensible step that puts a fee on large polluters like big oil companies, making them pay when they pollute our air and water and invests in affordable clean energy and healthier communities.

Holding Big Polluters Accountable to Protect our Air and Water
When big oil companies pollute they leave the rest of us to pay the price with our health and environment. Initiative 1631 will make clean energy like wind and solar more affordable for more people, reduce over 25 million tons of pollution annually, and build new clean energy projects creating 41,000 good paying jobs across the state.

Public Accountability and Transparency
All investments are overseen by a public board of experts in science, business, health, and trusted community leaders so that big oil companies and their lobbyists aren't making decisions about our future. Regular audits will ensure we're reducing pollution and expanding clean energy.

Washington vs. Big Oil
Initiative 1631 is backed by the largest initiative coalition in state history, including over 200 organizations and businesses like The Nature Conservancy, American Lung Association, Union of Concerned Scientists, REI, Children's Alliance, Sierra Club, MomsRising, Physicians for Social Responsibility, Tulalip Tribes, Washington Conservation Voters, OneAmerica, UFCW 21, and Latino Community Fund.

By voting *Yes* we will build clean energy, create thousands of jobs, and pass on a healthier future for our kids.

Rebuttal of argument against

Five out-of-state oil companies are funding 99.9% of the opposition campaign. They will say anything to protect their billion-dollar profits. 1631 is a sensible step to reduce pollution today and leave a better future for our kids, by making big oil companies pay for the pollution they create. It makes clean energy more affordable, creating over 41,000 good paying jobs here in Washington. Let's build our future on our terms.

Written by

Carrie Nyssen, American Lung Association, Vancouver; **Leonard Forsman**, President, Affiliated Tribes of Northwest Indians, Suquamish; **Ann Murphy**, President, League of Women Voters of Washington, Spokane; **Tony Lee**, Co-Chair, Asian Pacific Islander Coalition, Seattle; **Bonnie Frye Hemphill**, Solar Installers of Washington, Seattle; **Cenetra Pickens**, Registered Nurse, union member SEIU Healthcare 1199NW, Tacoma

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Argument against

I-1631's deeply flawed, unfair energy tax would force Washington families, small businesses and consumers to pay billions in higher costs for gasoline, electricity, heating and natural gas – while exempting the state's largest polluters, and providing little accountability for spending.

$2.3 Billion Energy Tax, Increases Every Year
The state's analysis shows 1631 would cost consumers over $2.3 billion in the first five years alone. Higher electricity and natural gas bills would add hundreds of millions more in consumer costs, and 1631's escalating taxes would automatically increase every year – with no cap.

Largest Polluters Exempt
1631 would exempt many of the state's largest polluters, including a coal-fired power plant, pulp and paper mills, aircraft manufacturers and other large corporate emitters. Six of the state's top 10 carbon emitters would be exempt from 1631, while consumers and small businesses would pay billions.

Gasoline, Energy Prices Increase Annually With No Cap
Independent estimates show 1631 would increase gasoline prices by up to fourteen cents more per gallon at first, increasing annually, and quadrupling within 15 years, with no cap. Families, small businesses and farmers would also pay higher costs for natural gas, heating fuel, electricity and transportation, costing households hundreds more per year, especially hurting those who could least afford it.

Lack of Accountability, No Guarantee
1631's unelected board would have broad authority to disperse billions with little accountability and no specific plan, no requirements to spend funds specifically to reduce greenhouse gases, and no guarantee of effectiveness. 1631 deserves a *no* vote.

Rebuttal of argument for

I-1631's deeply flawed approach to climate policy exempts Washington's largest polluters, imposes a permanently escalating tax on Washington families, and disproportionately burdens those who can least afford it. I-1631 has no clear guidelines for how its unelected board of political appointees would spend billions in taxpayer dollars, and no real accountability or likelihood of significantly reducing greenhouse gases. *Cliff Mass, Ph.D., atmospheric sciences expert, represents his own opinions – not those of the University of Washington.*

Written by

Dean Maxwell, Mayor of Anacortes 1993 – 2013; **Anne Lawrence**, Board Member, Washington Farm Bureau, Family Farmer, Vancouver; **Brian Sonntag**, Washington State Auditor 1993 – 2013; **Sabrina Jones**, Small Business Owner, Spokane; **Mark Riker**, Executive Secretary, Washington State Building Trades; **Cliff Mass**, Professor of Atmospheric Sciences, Seattle, Washington

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How do I read measure text?

Language in double parentheses with a line through it is existing state law; it will be taken out of the law if this measure is approved by voters.

((~~sample of text to be deleted~~))

Underlined language does not appear in current state law but will be added to the law if this measure is approved by voters.

sample of text to be added

Complete Text

Initiative Measure No. 1631

AN ACT Relating to reducing pollution by investing in clean air, clean energy, clean water, healthy forests, and healthy communities by imposing a fee on large emitters based on their pollution; and adding a new chapter to Title 70 RCW.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec. 1.** FINDINGS AND DETERMINATIONS. The people of the state of Washington make the following findings and determinations:

(1) The intent of this chapter is to protect Washington for our children, our grandchildren, and future generations by quickly and effectively reducing pollution and addressing its negative impacts.

(2) Fossil fuel consumption and related pollution contribute directly to climate change and the regional effects of global warming, which harm Washington's health, economy, natural resources, environment, and communities. This harm includes, but is not limited to, intensified storms, droughts, sea level rise, increased flooding, more frequent and severe wildfires, and other adverse impacts to forests, agriculture, wildlife, fisheries, rivers, and the marine environment.

(3) Investments in clean air, clean energy, clean water, healthy forests, and healthy communities will facilitate the transition away from fossil fuels, reduce pollution, and create an environment that protects our children, families, and neighbors from the adverse impacts of pollution. Funding these investments through a fee on large emitters of pollution based on the amount of pollution they contribute is fair and makes sense. A pollution fee offsets and alleviates burdens to which those emitters directly contribute.

(4) The transition to the clean energy economy will have tremendous economic and job growth benefits. Washington's tradition of innovation and technology development combined with the funding available under this chapter will increase economic opportunity, enhance economic and environmental sustainability, and create and support family-sustaining jobs across the state. The business community will play a critical role in leading this transition and in reducing pollution.

(5) Both pollution itself and transitioning to a society that prioritizes clean air, clean energy, clean water, healthy forests, and healthy communities disproportionately impact some people, workers, and communities more than others, including communities within pollution and health action areas. The use of a pollution fee to offset and alleviate those impacts is appropriate to ensure a successful and just transition.

(6) The investments authorized in this chapter constitute the purchase of pollution reduction and the protection of Washington's clean air, clean water, healthy forests, and healthy communities.

NEW SECTION. **Sec. 2.** SHORT TITLE. This act may be known and cited as the Protect Washington Act.

NEW SECTION. **Sec. 3.** CLEAN UP POLLUTION FUND. (1) The clean up pollution fund is created in the state treasury. All receipts collected from the pollution fee imposed by this chapter must be deposited in the fund. The department of revenue is authorized to create subfunds or subaccounts as may be necessary or appropriate to implement the purposes of this chapter. Receipts collected from the pollution fee imposed by this chapter may only be spent after appropriation into the clean up pollution fund.

(2) After reasonable administrative costs:

(a) Seventy percent of total expenditures under this act must be used for the clean air and clean energy investments authorized under section 4 of this act;

(b) Twenty-five percent of total expenditures under this act must be used for the clean water and healthy forests investments authorized under section 5 of this act; and

(c) Five percent of total expenditures under this act must be used for the healthy communities investments authorized under section 6 of this act.

(3) The board may authorize deviation from the allocations in subsection (2) of this section if there are an insufficient number of interested or eligible programs, activities, or projects seeking funding or if the board otherwise determines that variance from the prescribed allocation is critically important to achieve the purposes of this chapter.

(4) Compliance with the allocations required in subsection (2) of this section may be calculated based upon the average expenditures from the fund over any four-year period.

(5) In addition to the requirements of subsection (2) of this section, each year the total investments made under this chapter must meet the following requirements:

(a) A minimum of thirty-five percent of total investments authorized under this chapter must provide direct and meaningful benefits to pollution and health action areas.

(b) A minimum of ten percent of the total investments authorized under this chapter must fund programs, activities, or projects that are located within the boundaries of and provide direct and meaningful benefits to pollution and health action areas. An investment that meets the requirements of both this subsection (5)(b) and of (a) of this subsection may count towards the requisite minimum percentage for both subsections.

(c) A minimum of ten percent of the total investments authorized under this chapter must be used for programs, activities, or projects formally supported by a resolution of an Indian tribe, with priority given to otherwise qualifying projects directly administered or proposed by an Indian tribe. An investment that meets the requirements of both this subsection (5)(c) and of (a) of this subsection may count towards the requisite minimum percentage for both subsections. However, investments under this subsection (5)(c) are in addition to, and may not count towards, the requisite minimum percentage for (b) of this subsection. Programs, activities, or projects for which credits are authorized pursuant to section 4(6) of this act may, but are not required to, count towards the requisite minimum percentage for this subsection (5)(c).

(d) For the purposes of this subsection, "benefits" means investments or activities that:

(i) Reduce vulnerable population characteristics, environmental burdens, or associated risks that contribute significantly to the cumulative impact designation of the pollution and health action area;

(ii) Meaningfully protect the pollution and health action area from, or support community response to, the impacts of climate change; or

(iii) Meet a community need identified by vulnerable members of the community that is consistent with the intent of this chapter and endorsed by the environmental and economic justice panel.

(6) The expenditure of moneys under this chapter must be consistent with applicable federal, state, and local laws, and treaty rights, including but not limited to prohibitions on uses of public funds imposed by the state Constitution.

(7) Public entities, including but not limited to state agencies, municipal corporations, and federally recognized tribes, and not-for-profit and for-profit private entities are eligible to receive investment funds authorized under this chapter.

(8) Funding under this chapter and credits authorized under section 4(6) of this act may be invested in pilot tests and other market and technology development projects that are designed to test the effectiveness of the proposed project, program, or technology.

NEW SECTION. **Sec 4.** CLEAN AIR AND CLEAN ENERGY INVESTMENTS.

(1) The clean air and clean energy account is created in the state treasury. All moneys directed to the account from the clean up pollution fund created in section 3 of this act must be deposited in the account. Money in the account must be used for programs, activities, or projects that yield or facilitate verifiable reductions in pollution or assist affected workers or people with lower incomes during the transition to a clean energy economy, including but not limited to:

(a) Programs, activities, or projects that deploy eligible renewable energy resources, such as solar and wind power;

(b) Programs, activities, or projects, including self-directed investments, that increase the energy efficiency or reduce carbon emissions of industrial facilities, including but not limited to proposals to implement combined heat and power, district energy, or on-site renewables, such as solar and wind power, to upgrade existing equipment to more efficient models, to reduce process emissions, and to switch to less carbon-intensive fuel sources, especially converting fossil fuel sources of energy to nonfossil fuel sources;

(c) Programs, activities, or projects, including self-directed investments, that increase energy efficiency in new and existing buildings, with a goal of creating carbon neutral buildings across the state;

(d) Programs, activities, or projects that reduce transportation-related carbon emissions, including but not limited to programs, activities, or projects that:

(i) Accelerate the deployment of zero-emission fleets and vehicles, including off-road and maritime vehicles, create zero-emission vehicle refueling infrastructure, or deploy grid infrastructure to integrate electric vehicles and charging equipment;

(ii) Reduce vehicle miles traveled or increase public transportation, including investing in public transit, transportation demand management, nonmotorized transportation, affordable transit-oriented housing, and high-speed rural broadband to facilitate telecommuting options such as telemedicine or online job training; or

(iii) Increase fuel efficiency in vehicles and vessels where options to convert to zero-emissions, low-carbon fuels, or public transportation are cost-prohibitive and inapplicable or unavailable;

(e) Programs, activities, or projects that improve energy efficiency, including programs, activities, or projects related to developing the demand side management of electricity, district energy, or heating and cooling, and investments in market transformation of energy efficiency products;

(f) Programs, activities, or projects that replace the use of natural gas with gas not derived from fossil fuels, including but not limited to biomethane and synthetic gas. Programs, activities, or projects may include investments that address the incremental cost of nonfossil fuel gas or investments that expand the manufacture or delivery of nonfossil fuel gas;

(g) Programs, activities, or projects that deploy distributed generation, energy storage, demand side management technologies, and other grid modernization projects; or

(h) Programs, activities, or projects that result in sequestration of carbon, including but not limited to sequestration in aquatic marine and freshwater natural resources, agricultural lands and soils, terrestrial, riparian, and aquatic habitats, and working forests. Funding under this subsection (1)(h) may not fund legally required land management responsibilities, such as requirements under the forest practices act or other pertinent land use regulations.

(2)(a) The department of commerce, working with the panels, the Washington State University extension energy program, the department of transportation, and in consultation with the utilities and transportation commission, investor-owned and consumer-owned utilities, and other experts and agencies, and after review of other states' plans to reduce carbon pollution or investment strategies for greenhouse gas reduction, shall develop pollution reduction investment plans and proposed rules that describe the process and criteria to disburse funds from the clean air and clean energy account in compliance with this section. All investment plans and proposed rules required by this subsection must follow this same process.

(i) The department of commerce shall propose and submit to the board for approval an initial investment plan, processes, and procedures for investments made under this section, which the board shall review and approve by January 1, 2020. The investment plan, processes, and procedures govern investments made under this section until the permanent investment plan required by (a)(ii) of this subsection is adopted by rule.

(ii) By January 1, 2022, the department of commerce shall draft and submit to the board a permanent investment plan and proposed rules for the board to review and approve through the rule-making process. Upon adoption of the final rules by the board, the adopted investment plan supersedes the initial investment plan authorized under (a)(i) of this subsection.

(iii) The department of commerce shall propose updates to the permanent investment plan and proposed rules every four years for review and approval by the board through the rule-making process.

(b) The investment plans must prescribe a competitive project selection process that results in a balanced portfolio of investments containing a wide range of technology, sequestration, and emission reduction solutions that efficiently and effectively reduce the state's carbon emissions from 2018 levels by a minimum of twenty million metric tons by 2035 and a minimum of fifty million metric tons by 2050 while creating economic, environmental, and health benefits. The emission reductions to be achieved under the plan should, in combination with reductions achieved under other state policies, achieve emissions reductions that are consistent with the state's proportional share of global carbon reductions that will limit global temperature increases to two degrees centigrade and preferably below one and one-half degrees centigrade.

(3)(a) For investments authorized under subsection (1)(h) of this section:

(i) The department of natural resources shall develop proposed procedures, criteria, and rules for a program to sequester carbon through blue carbon projects.

(ii) The department of agriculture shall develop proposed procedures, criteria, and rules for a program to increase soil sequestration and reduce emissions from the loss and disturbance of soils, including the conversion of grassland and cropland soils to urban development.

(iii) The recreation and conservation office shall develop proposed procedures, criteria, and rules for a grant program that funds projects to prevent the conversion and fragmentation of working forests, farmland, and natural habitats of all types; expands habitat and working forest connectivity; promotes reforestation; funds the acquisition of permanent conservation easements or fee simple title with deed restrictions that result in increased forest carbon sequestration through the implementation of improved forest management practices that safeguard ecological benefits, protect habitat, and provide sustainable jobs in rural communities; and supports management activities that improve landscape-scale ecological functions to protect water, soils, and habitat for fish, wildlife, and plants and reduce potential for emissions of greenhouse gases. The program must prioritize and rank projects that effectively capture and store carbon and provide a diversity of additional ecological benefits.

(b) Procedures and criteria for the programs, activities, or projects created under (a)(ii) and (iii) of this subsection must retain sufficient flexibility to serve as a source of matching funds from other sources and to allow for a portion of the funds awarded to provide for the long-term costs of stewardship obligations on lands protected under those programs, activities, or projects.

(c) The proposed procedures, criteria, and rules for the programs, activities, or projects created under (a)(ii) and (iii) of this subsection must be developed in consultation with the panels and must be submitted to the board for final review and approval by January 1, 2020.

(4)(a) There must be sufficient investments made from the clean air and clean energy account to prevent or eliminate the increased energy burden of people with lower incomes as a result of actions to reduce pollution, including the pollution fees collected from large emitters under this chapter. At a minimum, fifteen percent of the clean air and clean energy account is dedicated to investments that directly reduce the energy burden of people with lower incomes. Additional funds from the clean air and clean energy account must be allocated for program development, recruitment, enrollment, and administration to achieve the intent of this subsection. Investments are in addition to programs, activities, or projects funded through credits authorized under subsection (6) of this section. After the first effectiveness report is issued, the environmental and economic justice panel may make recommendations to the board on measures to better achieve the intent of this subsection.

(b) The department of commerce or, for credits authorized pursuant to subsection (6) of this section, a light and power business or gas distribution business shall:

(i) In meaningful consultation with people with lower incomes and with the environmental and economic justice panel, develop a draft plan that identifies programs, activities, or projects that achieve the intent of this subsection and maximize the number of people with lower incomes benefiting at levels appropriate to need. The draft plan must be submitted to the board for final review and approval.

(ii) Prioritize programs, activities, and projects that create the following sustained energy burden reductions:

(A) Energy affordability through bill assistance programs and other similar programs;

(B) Reductions in dependence on fossil fuels used for transportation, including public and shared transportation for access and mobility;

(C) Reductions in household energy consumption, such as weatherization; and

(D) Community renewable energy projects that allow qualifying participants to own or receive the benefits of those projects at reduced or no cost.

(iii) In consultation with community-based nonprofit organizations and Indian tribes as appropriate, design and implement comprehensive enrollment campaigns that are language and culturally appropriate to inform and enroll people with lower incomes in the assistance programs authorized under this subsection. The campaign must also inform people with lower incomes of other energy cost reduction programs for which they may be eligible. The campaign should strive to achieve enrollment of one hundred percent of people with lower incomes. The department of commerce may contract with third parties to carry out the requirements of this subsection.

(c) Programs, activities, or projects that count toward the expenditures required by section 3(5)(a) of this act may not be counted toward the minimum expenditures required by this subsection.

(5) Within four years of the effective date of this section, a minimum balance of fifty million dollars of the clean air and clean energy account must be set aside, replenished annually, and maintained for a worker-support program for bargaining unit and nonsupervisory fossil fuel workers who are affected by the transition away from fossil fuels to a clean energy economy. The department of commerce, in consultation with the environmental and economic justice panel, may allocate additional moneys from the fund if necessary to meet the needs of eligible workers in the event of unforeseen or extraordinary amounts of dislocation.

(a) Worker support may include but is not limited to full wage replacement, health benefits, and pension contributions for every worker within five years of retirement; full wage replacement, health benefits, and pension contributions for every worker with at least one year of service for each year of service up to five years of service; wage insurance for up to five years for workers reemployed who have more than five years of service; up to two years of retraining costs including tuition and related costs, based on in-state community and technical college costs; peer counseling services during transition; employment placement services, prioritizing employment in the clean energy sector; relocation expenses; and any other services deemed necessary by the environmental and economic justice panel.

(b) The department of commerce, in consultation with the environmental and economic justice panel, shall develop draft rules, procedures, and criteria, to identify affected workers and administer this program. These draft rules, procedures, and criteria must be submitted to the board for final review and approval through the rule-making process.

(6)(a) A qualifying light and power business or gas distribution business may claim credits for up to one hundred percent of the pollution fees for which it is liable under this chapter. Credits may be authorized for, and in advance of, investment in programs, activities, or projects consistent with a clean energy investment plan that has been approved by the utilities and transportation commission, for investor-owned utilities and gas distribution businesses, or the department of commerce, for consumer-owned utilities.

(b) Clean energy investment plans must be developed by a qualifying light and power business or gas distribution business in meaningful collaboration with stakeholders, including the board and the panels. The qualifying light and power business or gas distribution business shall solicit public input and submit the clean energy investment plan for review and approval by the commission, for investor-owned utilities and gas distribution businesses, or the department, for consumer-owned utilities.

(c) To receive approval, the clean energy investment plan must:

(i) Identify investments aligned with the pollution reduction investment plan, targets, and goals authorized under and identified in subsection (2) of this section. Eligible investments include:

(A) Those categories listed in subsection (1)(a) through (g) of this section;

(B) A customer education and outreach program to promote widespread participation by consumers and businesses;

(C) The accelerated depreciation of a fossil fuel-fired generator owned by a light and power business, limited to thirty percent of credits authorized under a clean energy investment plan, if:

(I) The accelerated depreciation schedule includes recovery of all plant-in-service costs of the light and power business that owns or controls the plant associated with the fossil fuel-fired generator;

(II) The plant is replaced with renewable resources or demand side resources that emit no greenhouse gases; and

(III) The accelerated depreciation schedule and replacement power plan is included in a clean energy investment plan approved by the commission;

(D) Replacing all or a part of the debt financing portion of a capital investment made in the development of eligible renewable energy resources if doing so lowers the cost of financing and the construction of the capital investment commences after the effective date of this section;

(E) For a qualifying gas distribution business, purchasing alternative carbon reduction units. Alternative carbon reduction units are available only if a gas distribution business demonstrates in its clean energy investment plan that it has pursued all other available investment opportunities. No more than ten percent of the pollution fee owed in a given year may be reduced by purchasing alternative carbon reduction units. A qualifying gas distribution business must demonstrate that any carbon reduction unit it purchased verifiably reduced carbon emissions within the state, created benefits, as defined in section (3)(5)(d) of this act, within pollution and health action areas, and was developed in meaningful consultation with vulnerable populations. Alternative carbon reduction units are available only during the ten years immediately following the effective date of this section;

(ii) Identify sufficient investments to eliminate net increases in energy burden of customers that are people with lower incomes as a result of actions to reduce pollution, including the requirements of this act. At a minimum, fifteen percent of credits must be dedicated to investments that directly reduce energy burden on people with lower incomes. Additional funds must be allocated for program development, recruitment, enrollment, and administration to achieve the intent of this subsection. These investments must be consistent with subsection (4) of this section;

(iii) Demonstrate how the requirements of section 3(5)(a) of this act have been met and the criteria in section 7 of this act, excluding subsection (1)(d) of that section, have been given priority in the development of the plan;

(iv) Describe a long-term strategy to eliminate any fee obligation imposed by this chapter on electricity and minimize any fee obligation on natural gas;

(v) Provide performance metrics, including performance metrics designed to measure pollution reduction achieved, energy burden reduction benefits supplied, and other indicators of progress in achieving the purposes of this chapter. Performance metrics must cover the life of the plan;

(vi) Demonstrate that expenditures in the plan are in addition to existing programs and expenditures necessary to meet other emissions reduction, energy conservation, low income, or renewable energy requirements in the absence of this chapter and incremental to investments or expenditures that the light and power business or gas distribution business would have pursued in the absence of the plan and the requirements of this chapter; and

(vii) Describe methods of addressing shortfalls of previous plans in achieving the requirements set forth in this subsection (6)(c).

(d) The department and the commission may choose to approve the entire plan or only parts of a plan and authorize credits only for the approved segments. The department, the commission, and the board may confer with and provide recommendations to one another prior to the approval of a clean energy investment plan. The department and the commission may make determinations based on the efficacy of the plan, including appropriate comparison to carbon reduction and other outcomes that are projected to be achieved under the state's pollution reduction investment plan developed under subsection (2) of this section, results of the effectiveness report developed under section 12 of this act, and other criteria they adopt.

(e) A light and power business or gas distribution business authorized to receive credits under this subsection must establish and maintain a separate clean energy investment account into which it must deposit amounts equal to the credits authorized under this section. Funds deposited into this account must be expended during the year in which the funds were collected from customers, the preceding year, or any of the three subsequent years, after which they must be remitted to the clean air and clean energy account.

(f) Upon approval of a clean energy investment plan, a qualifying light and power business or gas distribution business must expend moneys from its clean energy investment account in accordance with the approved clean energy investment plan, with the oversight of the commission or department. A light and power business or gas distribution business must submit annual reports to the commission or department that include, at a minimum, the status of the plan and an evaluation of whether its investments have achieved the performance metrics identified in the clean energy investment plan.

(g) If the commission or the department determines that a plan did not meet a performance metric, the commission or department may require the light and power business or gas distribution business to remit remaining credits dedicated for the nonperforming plan or components to the clean air and clean energy account and may deny future plans unless they meet the requirements of this subsection.

(h) To maintain eligibility to receive a credit for fees, a qualifying light and power business or gas distribution business must submit and receive approval of an updated clean energy investment plan every two years.

(i) An investor-owned light and power business or gas distribution business may not earn a rate of return from the portion of investments paid for with credits under this section.

(j) Credits may not support programs, activities, or projects that are otherwise legally required by federal, state, or local laws, or that are required as a result of a legal settlement or other action binding on the potential recipient of the funds. Credits may not be used to supplant existing funding for related programs.

(k) A qualifying light and power business or gas distribution business is authorized to use a reasonable portion of credits for necessary administrative costs related to the requirements of this subsection, including the development and implementation of an approved clean energy investment plan.

(l) For the purposes of this subsection, a qualifying light and power business or gas distribution business may request that within one hundred twenty days the department of health designate additional pollution and health action areas located in the service area of the qualifying light and power business or gas distribution business.

(m) Credited fees in the clean energy investment account are considered gross operating revenue for the purpose of RCW 80.24.010, and may not be considered gross income for the purposes of chapters 82.04 and 82.16 RCW. In addition to fees paid pursuant to RCW 80.24.010 on credited fees in the clean energy investment account, each investor-owned utility must pay an annual fee set by the commission annually through order of up to one percent of credited fees deposited in the clean energy investment account to pay for the commission's reasonable cost of administering this subsection.

(n) The commission and department must adopt rules concerning the process, timelines, reporting, committees, standards, and documentation required to ensure proper implementation of this subsection. These rules must allow for stakeholder contribution to the clean energy investment plans and establish requirements for review, approval, performance metrics, and independent monitoring and evaluation of a clean energy investment plan of a light and power business or gas distribution business.

(o) The amount of credits authorized and spent under this subsection counts towards the minimum percentage of investments required by section 3(2)(a) of this act.

(p) The definitions in this subsection (6)(p) apply throughout this subsection unless the context clearly requires otherwise.

(i) "Commission" means the utilities and transportation commission.

(ii) "Department" means the department of commerce.

(7) Funding made available for programs, activities, or projects under this section must be additive to existing funding and may not supplant funding otherwise available.

(8) The expenditures of funds under this section may not support programs, activities, or projects that are otherwise legally required by federal, state, or local laws, or that are required as a result of a legal settlement or other legal action or court order binding on the potential recipient of the funds.

NEW SECTION. **Sec. 5.** CLEAN WATER AND HEALTHY FORESTS INVESTMENTS. (1) The clean water and healthy forests account is created in the state treasury. All moneys directed to the account from the clean up pollution fund created in section 3 of this act must be deposited in the account. Moneys in the account are intended to increase the resiliency of the state's waters and forests to the impacts of climate change. Moneys in the account must be spent in a manner that is consistent with existing and future assessment of climate risks and resilience from the scientific community and expressed concerns of and impacts to pollution and health action areas.

(2) Moneys in the account may be allocated for the following purposes:

(a) Clean water investments that improve resilience from climate impacts.

(i) Funding under this subsection (2)(a) must be used to:

(A) Restore and protect estuaries, fisheries, and marine shoreline habitats, and prepare for sea level rise;

(B) Increase the ability to remediate and adapt to the impacts of ocean acidification;

(C) Reduce flood risk and restore natural floodplain ecological function;

(D) Increase the sustainable supply of water and improve aquatic habitat, including groundwater mapping and modeling; or

(E) Improve infrastructure treating stormwater from previously developed areas within an urban growth boundary designated under chapter 36.70A RCW, with a preference given to projects that use green stormwater infrastructure.

(ii) Funding under this subsection (2)(a) proposed for projects in the Puget Sound basin must be reviewed by the Puget Sound partnership for consistency with the Puget Sound action agenda authorized under chapter 90.71 RCW. This review must be conducted in a manner that does not delay the approval of programs, activities, or projects under this subsection.

(iii) The departments of ecology, natural resources, fish and wildlife, the Puget Sound partnership, and the recreation and conservation office must jointly develop draft procedures, criteria, and rules for the program authorized under this subsection (2)(a).

(b) Healthy forests investments to improve resilience from climate impacts.

(i) Funding under this subsection (2)(b) must be used for projects and activities that will:

(A) Increase resilience to wildfire in the face of increased temperature and drought; or

(B) Improve forest health and reduce vulnerability to changes in hydrology, insect infestation, and other impacts of climate change.

(ii) The department of natural resources may consider supporting cross laminated timber and other mass timber technologies in support of this work.

(iii) The department of natural resources must develop draft procedures, criteria, and rules for the program authorized under this subsection (2)(b). Funding priority must be given to programs, activities, or projects prioritized pursuant to RCW 76.06.200 and 79.10.530 across any combination of local, state, federal, tribal, and private ownerships.

(iv) The department of natural resources must adopt rigorous performance-based criteria and objectives for funding decisions under this subsection (2)(b), such as the number of acres burned or thinned or otherwise treated to improve forest health, acres of forest for which wildland fire prevention measures have been implemented, and the number of communities in the wildland urban interface for which wildfire resilience and defense measures have been implemented.

(3) Draft procedures, criteria, and rules required under this section must be developed in consultation with the clean water and healthy forests panel and must be submitted to the board for final review and approval subject to the rule-making process.

(4) Moneys in the account may not be used for projects that would violate tribal treaty rights or result in significant long-term damage to critical habitat or ecological functions. Investments from this account must result in long-term environmental benefit and increased resiliency to the impacts of climate change.

(5) Funding made available for projects under this section should be considered additive to existing funding and is not intended to supplant funding otherwise available for such projects.

NEW SECTION. **Sec. 6.** HEALTHY COMMUNITIES INVESTMENTS. (1) The healthy communities account is created in the state treasury. All moneys directed to the account from the clean up pollution fund created in section 3 of this act must be deposited in the account. Moneys in the account must be used for programs, activities, or projects to prepare communities for challenges caused by climate change and to ensure that the impacts of climate change are not disproportionately borne by certain populations. Investments from this account may be used for the following purposes, with first priority given to programs, activities, or projects eligible for funding under (a), (b), and (c) of this subsection:

(a) Enhancing community preparedness and awareness before, during, and after wildfires;

(b) Developing and implementing resources to support fire suppression, prevention, and recovery for tribal communities impacted or potentially impacted by wildfires;

(c) Relocating communities on tribal lands that are impacted by flooding and sea level rise; and

(d) Developing and implementing education programs and teacher professional development opportunities at public schools to expand awareness of and increase preparedness for the environmental, social, and economic impacts of climate change and strategies to reduce pollution.

(2) Funding under this section may not supplant federal funding or federal obligations otherwise required by law or treaty.

(3) The department of natural resources, in consultation with the environmental and economic justice panel, shall develop draft procedures, criteria, and rules for the programs authorized in subsection (1)(a) through (c) of this section. The procedures, criteria, and rules for the program authorized in subsection (1)(a) of this section must prioritize programs, activities, or projects that benefit communities with limited English proficiency and other vulnerable populations in communities at risk from wildfires.

(4) The superintendent of public instruction shall develop draft procedures, criteria, and rules for the program authorized in subsection (1)(d) of this section.

(5) Twenty percent of the healthy communities account must be reserved for developing community capacity to participate in the implementation of this chapter, including the preparation of funding proposals. Funds for this community capacity program must be allocated through a competitive process with a preference for projects proposed by vulnerable populations in pollution and health action areas and rural communities. Any Indian tribe that applies must receive up to two hundred thousand dollars per year to build tribal capacity to participate in the implementation of this chapter. The department of commerce shall work with the environmental and economic justice panel to develop draft procedures, criteria, and rules for this program.

(6) Proposed procedures, criteria, and rules prepared under this section must be sent to the board for final adoption, including through the rule-making process as appropriate.

<u>NEW SECTION.</u> **Sec. 7.** INVESTMENT CRITERIA. (1) After applying the account-specific criteria in sections 4, 5, and 6 of this act, preference must be given to investments authorized under section 3 of this act and credits authorized under section 4(6) of this act that meet one or more of the following investment criteria:

(a) Procurement and use of materials and content that have lower carbon emissions associated with their transportation and manufacturing, as determined through the best available reporting and assessment tools;

(b) Support of high quality labor standards, prevailing wage rates determined by local collective bargaining, apprenticeship and preapprenticeship utilization and preferred entry standards, community workforce agreements with priority local hire, procurement from women, veteran, and minority-owned businesses, procurement from and contracts with entities that have a history of complying with federal and state wage and hour laws and regulations, and other related labor standards;

(c) Reduction of worker and public exposure to emissions of air pollutants regulated under chapter 70.94 RCW, discharges of pollutants regulated under chapter 90.48 RCW, or releases of hazardous substances under chapter 70.105D RCW; and

(d) Reduction of pollution through strategies that reduce vehicle miles traveled, including by reducing travel distances for people with lower incomes.

(2) Projects that satisfy multiple criteria in subsection (1) of this section receive first preference under this section.

<u>NEW SECTION.</u> **Sec. 8.** POLLUTION FEE. (1) A pollution fee is imposed on and must be collected from large emitters based on the carbon content of:

(a) Fossil fuels sold or used within this state; and

(b) Electricity generated within or imported for consumption in the state.

(2) The fee must be levied only once on a particular unit of fossil fuels or electricity.

(3) Beginning January 1, 2020, the pollution fee on large emitters is equal to fifteen dollars per metric ton of carbon content. Beginning January 1, 2021, the pollution fee on large emitters increases by two dollars per metric ton of carbon content each January 1st. The annual increase shall adjust for inflation each year. The pollution fee is fixed and no longer increases, except for annual increases for inflation, when the state's 2035 greenhouse gas reduction goal is met and the state's emissions are on a trajectory that indicates that compliance with the state's 2050 goal is likely, as those goals exist or are subsequently amended, as determined by the board.

(4) In order to calculate the pollution fee on large emitters imposed by this chapter, by November 1, 2019, the department of ecology must, in consultation with the department of revenue, adopt emergency rules specifying the basis for the carbon content inherent in or associated with covered fossil fuels and electricity. In developing these rules, the department of ecology may consider, among other resources, the carbon dioxide content measurements for fossil fuels from the federal energy information administration and the federal environmental protection agency. The department of ecology may periodically update the rules specifying the carbon content of fossil fuels and electricity.

(5) For the generation or import of electricity from an unspecified source, the department of ecology, in consultation with the department of commerce, must select a default emission factor that maximizes the incentive for light and power businesses to specify power sources without also unduly burdening the ability to purchase electricity from the market.

(6) For power generated or imported by the Bonneville power administration, the department of ecology must publish a default emissions factor for sales into Washington state.

(7) A credit for the fee owed may be authorized as provided in section 4(6) of this act. The utilities and transportation commission and the department of commerce shall ensure that resources are not reallocated between customers, customer classes, or geographies for the purposes of artificially reducing the application of this fee without reducing actual pollution emissions and, in doing so, must also not unduly burden the ability of a light and power business or gas distribution business to transact with the market.

(8) The department of revenue is directed to collect the fee and is authorized to take actions it deems necessary to collect the pollution fee.

(9) To carry out the purposes of this chapter, the state

is authorized to issue general obligation or revenue bonds within the limitations now or hereafter prescribed by the laws of this state, and may use, and is authorized to pledge, the moneys collected under this section for repayment of those bonds.

(10) The pollution fee owed by a large emitter may be assumed by a light and power business when it purchases electricity from that large emitter.

(11) When a large emitter purchases power from the Bonneville power administration, the larger emitter must assume the pollution fees, if any.

NEW SECTION. **Sec. 9.** EXEMPTIONS. (1) To ensure consistency with existing state and federal law and to facilitate the timely, feasible, and effective reduction of pollution under this chapter, the pollution fee imposed on large emitters does not apply to and may not be collected for:

(a) Fossil fuels brought into this state in the fuel supply tank of a motor vehicle, vessel, locomotive, or aircraft;

(b) Fossil fuels that are exported or sold for export outside of Washington. Export to a federally recognized Indian tribal reservation located within this state is not considered export outside of Washington;

(c) Fossil fuels directly or eventually supplied to a light and power business for purposes of generating electricity;

(d) Motor vehicle and special fuel currently exempt from taxation under RCW 82.38.080;

(e) Fossil fuels and electricity sold to and used onsite by facilities with a primary activity that falls into an EITE sector, including any facility primarily supporting one or more facilities falling into one or more EITE sectors such as administrative, engineering, or other office facilities, after the department of commerce has validated a facility's designation within such sector or its supporting facility status in an EITE sector;

(f) Aircraft fuels as defined in RCW 82.42.010 and maritime fuels;

(g) Activities or property of Indian tribes and individual Indians that are exempt from state taxation as a matter of federal law and state law, whether by statute, rule, or compact, including but not limited to the exemptions listed in WAC 458-20-192. For motor vehicle fuel or special fuel sold on tribal lands, the fee may be included in any agreements under RCW 82.38.310;

(h) Diesel fuel, biodiesel fuel, or aircraft fuel when these fuels are used solely for agricultural purposes by a farm fuel user, as those terms are defined in RCW 82.08.865;

(i) Pollution emissions from a coal closure facility. For the purpose of this chapter, a "coal closure facility" is any facility that generates electricity through the combustion of coal as of the effective date of this section and:

(i) Is legally bound to comply with emissions performance standards as set forth in RCW 80.80.040 by December 31, 2025; or

(ii) Is legally bound to cease operation by December 31, 2025.

(2) For any electricity or fossil fuels subject to the fee imposed by this chapter that are also subject to a similar fee on carbon content imposed by another jurisdiction, the payer may take a credit against the fee imposed by this chapter up to the amount of the similar fee paid to the other jurisdiction if the payer petitions to and receives approval for the credit from the department of commerce.

(3) For electricity generated in Washington that is sold out of state to a jurisdiction that has a similar fee on carbon content, a large emitter may receive a credit equal to the amount of the fee in the receiving jurisdiction up to the amount of the fee owed under this chapter if the payer petitions to and receives approval for the credit from the department of commerce.

NEW SECTION. **Sec. 10.** PUBLIC OVERSIGHT BOARD AND CONSULTATION. (1) The public oversight board is established within the executive office of the governor. The purpose of the board is to ensure timely, effective, and efficient implementation of this chapter. The board must ensure robust public involvement, accountability, and transparency in the implementation of this chapter.

(2) The board has fifteen voting members, including the chair, the six cochairs of the panels, four at-large positions, the commissioner of public lands, and the directors of the department of commerce, the department of ecology, and the recreation and conservation office. The governor shall appoint the chair and the four at-large positions, one of which must be a tribal representative and one of which must represent vulnerable populations in pollution and health action areas, to achieve an overall board membership with appropriate expertise in pollution reduction. The at-large positions must serve staggered four-year terms. The department of health, the department of transportation, and the superintendent of public instruction are nonvoting members of the board.

(3) The board has the following powers and duties:

(a) Develop budget recommendations pursuant to the process set forth in chapter 43.88 RCW;

(b) Work with appropriate state agencies to utilize, where feasible, existing programs to deliver funding made available under this chapter;

(c) Evaluate the funding proposals developed by the state agencies and the panels and provide final approval of funding for programs and projects under this chapter at a public hearing;

(d) Adopt rules under chapter 34.05 RCW as necessary to carry out the purposes of this chapter;

(e) Review and approve procedures, criteria, and rules developed under the provisions of this chapter, the pollution reduction investment plan developed under section 4 of this act, and the effectiveness report required by section 12 of this act;

(f) Develop a tribal consultation process for programs, activities, or projects proposed for funding under this chapter consistent with subsection (9) of this section;

(g) Confer with the governor and the legislature regarding implementation of this chapter; and

(h) Carry out such other duties necessary for implementation of this chapter or that are delegated to the board.

(4) The board must be led by the chair of the board. The chair is a full-time staff person appointed by the governor and should be housed in the office of the governor. The chair should have experience in management and admin-

istration and expertise in and a demonstrated commitment to reducing pollution and transitioning to a clean energy economy.

(5) In addition to leading the board, the chair has, without limitation, the following duties and authorities:

(a) Drive implementation of programs, activities, or projects in a manner that achieves timely and effective pollution reduction and the other purposes of this chapter;

(b) Solicit analysis from any state agency or office on matters related to implementation of this chapter;

(c) Convene and preside over a climate subcabinet, consisting of representatives of the agencies with responsibility to implement portions of this chapter and the cochairs of the panels;

(d) Periodically brief the governor and legislative leaders regarding progress, challenges, and obstacles in implementing this chapter; and

(e) Hire staff as necessary to support the work of the chair and the board.

(6) Members of the board who are not state employees must be compensated in accordance with RCW 43.03.240 and are entitled to reimbursement individually for travel expenses incurred in the performance of their duties as members of the board in accordance with RCW 43.03.050 and 43.03.060.

(7) All state agencies shall cooperate with and support the board as it implements this chapter. All state agencies shall complete their duties under this chapter and otherwise drive its implementation with a sense of urgency.

(8) To ensure timeliness, efficiency, and effectiveness, the board and the joint legislative audit and review committee shall jointly develop a schedule for periodic review and reporting regarding the implementation of this chapter.

(9) In furtherance of strengthening partnerships between the state and Indian tribes, achieving the goals set forth in this chapter, and to ensure mutual respect for the rights, interests, and obligations of each sovereign, this chapter must be construed to recognize and affirm the inherent sovereignty of Indian tribes, and to further the government-to-government relationships between Indian tribes and the state as follows:

(a) Any state agency acting under the authority of this chapter or receiving funding under this chapter must consult with Indian tribes on all decisions that may directly affect Indian tribes and tribal lands including but not limited to activities such as rule making. That consultation must follow the agency's protocol for consultation with Indian tribes developed pursuant to the centennial accord and must occur independent of any public participation process required by state law or by the agency, regardless of whether the agency receives a request for consultation from an Indian tribe.

(b) Any project proposed for funding under this chapter that directly impacts tribal lands or usual and accustomed fishing areas must be subject to meaningful formal consultation with Indian tribes before the board approves disbursement of investment moneys for the project. Consultation must include all consultation required under state or federal law and the provisions of this section. The goal of consultation is to share information regarding the project to ensure a complete understanding of the project and to identify and address tribal concerns. The process for consultation must be as follows:

(i) Consultation with Indian tribes must be initiated when a project is being evaluated for funding by a panel.

(ii) Consultation is initiated upon receipt of a letter from the board or panel to the person identified by Indian tribes under RCW 43.376.050. If an Indian tribe does not respond within forty-five days of receipt of the letter, the board may conclude that the Indian tribe has declined consultation on the project. The board shall provide notice in a manner that ensures actual receipt by the tribe and provides clarity as to the commencement of the forty-five day period outlined herein.

(iii) Where an Indian tribe responds to the letter, the board must utilize the consultation process established by the board, including a mutually agreed timeline for completion of consultation. The consultation process runs concurrently with the panels' and board's evaluation of the project and must be completed prior to the date determined by the board to complete final funding decisions.

(iv) The board and the Indian tribe must work in good faith during the consultation process to reach consensus on whether the project should be funded.

(c) For programs, activities, or projects that directly impact tribal lands, the goal of the consultation process is to obtain free, prior, and informed consent for the project. For these programs, activities, or projects, consultation is complete when the Indian tribe's government provides the board with a written resolution providing consent or withholding consent by the deadline set for completion of the consultation process.

(d) If any project that directly impacts tribal lands is funded under this chapter without complying with (b) and (c) of this subsection, upon a request by an Indian tribe, all further action on the project must cease until consultation with the Indian tribe is complete.

(e) Nothing in this subsection precludes a panel or the board from evaluating similar programs, activities, or projects as a group or using existing programs, activities, or projects to provide preliminary funding recommendations.

(f) Informal and early consultation between an Indian tribe and a project proponent is encouraged.

(g) The utilities and transportation commission shall comply with this subsection in exercising its authority under section 4 of this act.

NEW SECTION. **Sec. 11.** INVESTMENT ADVISORY PANELS. (1) Three panels are created to provide detailed recommendations to the board and state agencies regarding implementation of this chapter, including the development of proposed rules, criteria, procedures, and other program elements. The governor shall appoint members of each panel for four-year, staggered terms. At least one-third of the membership of each panel must be representatives of the interests of vulnerable populations in pollution and health action areas.

(2) The clean air and clean energy panel must be cochaired by one business interest and a stakeholder that

represents a statewide labor organization that represents a broad cross-section of workers. The panel may have no more than nine members, representing tribal, environmental, business, and labor communities and pollution and health action areas outside of tribal lands. The panel's membership must have expertise in carbon reduction programs, activities, and technologies. The panel shall work with appropriate state agencies to identify existing state programs that can be utilized to provide preliminary evaluations of grant applications, develop criteria and processes for evaluating programs, activities, or projects proposed that cannot be evaluated under existing programs, and prepare funding and other recommendations to the board for expenditures from the clean air and clean energy account, created in section 4 of this act. The clean air and clean energy panel may also develop, as needed, and recommend rules for the board's consideration.

(3) The clean water and healthy forests panel must be cochaired by one tribal leader and one stakeholder that represents statewide environmental interests. The panel may have no more than nine members, representing tribal, environmental, business, and labor communities and pollution and health action areas outside of tribal lands. The panel shall work with appropriate state agencies to identify existing state programs that can be utilized to provide initial evaluations of grant applications, develop funding criteria and processes for programs, activities, or projects that cannot be evaluated under existing programs, and prepare funding and other recommendations to the board for expenditures from the clean water and healthy forests account, created in section 5 of this act. The panel may also recommend rules for the board's consideration.

(4) The environmental and economic justice panel must be cochaired by one tribal leader and one person that is a representative of the interests of vulnerable populations in pollution and health action areas outside of tribal lands. In addition to the cochairs, the panel consists of two members representing union labor with expertise in economic dislocation, clean energy economy, or energy-intensive and trade-exposed industries and five members, including at least one tribal leader and at least two nontribal leaders representing the interest of vulnerable populations in pollution and health action areas. The purpose of the panel is to:

(a) Prepare funding recommendations to the board for expenditures from the healthy communities account, created in section 6 of this act;

(b) Develop draft procedures, criteria, and rules for evaluating programs, activities, or projects for review and approval by the board and make funding recommendations regarding people with lower incomes, affected workers, vulnerable populations, and pollution and health action areas;

(c) Make recommendations regarding preventing or eliminating any increased energy burden of people with lower incomes as a result of actions to reduce pollution, including the pollution fees collected from large emitters under this chapter;

(d) Define meaningful consultation with pollution and health action areas, vulnerable populations, and people with lower incomes, and provide opportunities for vulnerable populations to consult on the implementation of this chapter;

(e) Evaluate compliance with the investment criteria in section 7 of this act;

(f) Define qualifying events and workers for the allocation of funds authorized under section 4(5) of this act;

(g) Review and comment on the analyses required under section 12 of this act and identify and recommend opportunities and measures to reduce burdens identified in the cumulative impact designation of pollution and health action areas pursuant to section 12(2) of this act, to increase economic opportunities, and to decrease risks, such as displacement; and

(h) Administer, in cooperation with the department of commerce, the community capacity grants authorized under section 6(5) of this act.

(5) Relevant state agencies shall cooperate with and support the panels as they implement this chapter.

(6) Any single individual may serve on more than one panel. Members of the panels who are not state employees must be compensated in accordance with RCW 43.03.240 and are entitled to reimbursement individually for travel expenses incurred in the performance of their duties as members of the panel in accordance with RCW 43.03.050 and 43.03.060. Members of the environmental and economic justice panel may receive financial support from organizations and the governments of Indian tribes through approved community capacity grants awarded under section 6(5) of this act.

<u>NEW SECTION.</u> **Sec. 12.** EFFECTIVENESS REVIEW AND POLLUTION MAPPING. (1)(a) By December 10, 2022, and every four years thereafter, the department of commerce, with support from relevant agencies and in consultation with the panels, the board, academic institutions, and other experts as appropriate, and taking into account scientific and community assessments of climate impacts, risks, and resilience needs, must develop and submit to the board a draft effectiveness report for final review and approval by the board.

(b) The effectiveness report must describe progress in achieving the purposes of this chapter, including progress made in achieving the carbon reduction goals established in section 4(2)(b) of this act and in developing and implementing the pollution reduction plans and clean energy investment plans under section 4 of this act. In addition, the effectiveness report must also include information regarding the impact of the implementation of this chapter upon employment and jobs, including the number and nature of jobs created, worker hours, job quality, job access and demographics, cobenefits secured, and other employment and economic information as deemed appropriate. The effectiveness report must also identify and evaluate outcomes, risks, and recommendations for vulnerable populations, pollution and health action areas, people with lower incomes, Indian tribes, and affected workers. The effectiveness report must recommend improvements to the implementation of this chapter.

(2) By July 31, 2019, the department of health shall des-

ignate pollution and health action areas. This designation must be at a minimum resolution of census tract scale and be based on the cumulative impact analysis of vulnerable populations and environmental burdens conducted by the University of Washington's department of environmental and occupational health sciences. The designation and ranking of census tracts in the cumulative impacts analysis and underlying data must be available for public review and may be integrated with or build upon other population tracking resources. The designation of pollution and health action areas and the cumulative impact analysis of vulnerable populations and environmental burdens must be periodically evaluated and updated by the department of health after meaningful consultation with vulnerable populations, the environmental and economic justice panel, and the University of Washington's department of environmental and occupational health sciences.

NEW SECTION. **Sec. 13.** DEFINITIONS. The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Alternative carbon reduction unit" means a credit for one metric ton reduction in pollution that substitutes for an equivalent emission reduction in a qualifying gas distribution business's operations and is real, permanent, enforceable, verifiable, and additional to business as usual. The unit must derive from an action that reduces pollution.

(2) "Board" or "oversight board" means the public oversight board created in section 10 of this act.

(3) "Carbon content" means the carbon dioxide equivalent that is released through the combustion or oxidation of a fossil fuel, or that is associated with the combustion or oxidation of a fossil fuel, used to generate electricity.

(4) "Carbon dioxide equivalent" has the same meaning as provided in RCW 70.235.010.

(5) "Consumer-owned utility" has the same meaning as in RCW 19.29A.010.

(6) "Eligible renewable energy resource" has the same meaning as in RCW 19.285.030.

(7) "Energy burden" is the percentage of household income spent on road transportation and home energy bills.

(8) "Energy-intensive and trade-exposed sectors" and "EITE sectors" mean:

(a) Those sectors identified under "EITE covered party" in WAC 173-442-020(1)(m) as of April 22, 2017; and

(b) Other sectors the department of commerce designates that have, on average across all facilities belonging to the sector in the state, both a greater energy intensity of production and a greater trade share of goods than the corresponding averages for any other EITE sector.

(9) "Environmental burdens" refers to the cumulative risks to communities caused by historic and current:

(a) Exposure to conventional and toxic hazards in the air, water, and land, and;

(b) Adverse environmental effects, which are environmental conditions caused or made worse by contamination or pollution or that create vulnerabilities to climate impacts.

(10) "Fossil fuel" means petroleum products that are intended for combustion, natural gas, coal or coke of any kind, or any form of solid, liquid, or gaseous fuel derived from these products including but not limited to motor vehicle fuel, special fuel, aircraft fuel, marine fuel, still gas, propane, and petroleum residuals such as bunker fuel. For purposes of imposing the pollution fee on the carbon content of fossil fuels consumed by a refinery facility during the process of refining fossil fuels, "fossil fuel" also means crude oil and petroleum.

(11) "Fund" means the clean up pollution fund established under section 3 of this chapter.

(12) "Gas distribution business" has the same meaning as provided in RCW 82.16.010.

(13) "Greenhouse gas" and "greenhouse gases" have the same meaning as provided in RCW 70.235.010(6).

(14) An "Indian tribe" is an Indian nation, tribe, band, community, or other entity:

(a) Recognized as an Indian tribe by the federal department of the interior; and

(b) With its principal governmental office located within the geographical boundaries of the state of Washington or with treaty-reserved rights retained within the geographical boundaries of the state of Washington.

(15) "Inflation" means the percentage change in the consumer price index for all urban wage earners and clerical workers for the United States as published for the most recent twelve-month period by the bureau of labor statistics of the federal department of labor by September 30th of the year before the fees are payable.

(16) "Investor-owned utility" has the same meaning as in RCW 19.29A.010.

(17) "Large emitter" means:

(a) For electricity:

(i) An importer of electricity that was generated using fossil fuels or is subject to a default emissions factor under section 8 of this act; or

(ii) A power plant located in the state of Washington that generates electricity using fossil fuels.

(b) For motor vehicle fuel and special fuel, entities required to pay the tax specified in RCW 82.38.030(9).

(c) For natural gas, entities required to pay the tax specified in chapter 82.16 RCW, or, if the fee is not paid by a gas distribution business under chapter 82.16 RCW, by the person required to pay tax as provided in RCW 82.12.022 (1) through (3) and (8) through (10).

(d) For other petroleum products, persons as designated by rule by the department of revenue.

(e) A seller of fossil fuels to end users or consumers.

(f) A seller of fossil fuels sold for combined heat and power as defined in RCW 19.280.020.

(g) A refinery facility for crude oil, crude oil derivatives and other fossil fuels consumed by or in a refinery facility.

(18) "Light and power business" has the same meaning as provided in RCW 82.16.010, and includes a light and power business owned or operated by a municipality.

(19) "Maritime fuels" means diesel, gasoline, and biofuel-blend fuels sold from fuel docks for use in vessels and bunker and other fuels sold for use in ships for interstate and international transportation.

(20) "Motor vehicle fuel" has the same meaning as provided in RCW 82.38.020.

(21) “Panel” or “panels” means any or all of the panels established in section 11 of this chapter.

(22) “Person” means the state of Washington, political subdivision of the state of Washington, municipal corporation, the United States, and any individual, receiver, administrator, executor, assignee, trustee in bankruptcy, trust, estate, firm, partnership, joint venture, club, company, joint stock company, business trust, corporation, limited liability company, association, society, or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit, or otherwise.

(23) “People with lower incomes” means:

(a) All Washington residents with an annual income, adjusted for household size, which is at or below the greater of:

(i) Eighty percent of the area median income as reported by the federal department of housing and urban development; or

(ii) Two hundred percent of the federal poverty line; and

(b) Members of an Indian tribe who meet the income-based criteria for existing other means-tested benefits through formal resolution by the governing council of an Indian tribe.

(24) “Petroleum product” means hydrocarbons that are the product of the fractionation, distillation, or other refining or processing of crude oil that are used as, usable as, or may be refined as a fuel or fuel blend stock.

(25) “Pollution” means, for purposes of this chapter only, the presence of or introduction into the environment of greenhouse gases.

(26) “Pollution and health action areas” are those communities designated by the department of health based on the cumulative impacts analysis required by section 12(2) of this chapter and census tracts that are fully or partially on “Indian Country” as defined in 18 U.S.C. Sec. 1151.

(27) “Power plant” has the same meaning as in RCW 80.80.010.

(28) “Special fuel” has the same meaning as provided in RCW 82.38.020 and includes fuel that is sold or used to propel vessels.

(29) “Supplier” means a person that produces, refines, imports, sells, or delivers fossil fuels in or into the state for use or processing within the state.

(30) “Tribal lands” means “Indian Country” as defined in 18 U.S.C. Sec. 1151, lands owned by or held in trust for an Indian tribe, and sensitive tribal areas. For the purposes of this chapter, “sensitive tribal areas” are areas in which an Indian tribe has a significant interest, such as sacred sites, traditional cultural properties, and burial grounds protected under chapter 27.44 RCW.

(31) “Tribal leaders” means persons identified by Indian tribes under RCW 43.376.050 or other designee formally appointed by the Indian tribe.

(32) “Usual and accustomed fishing area” is any area adjudicated to have been reserved for fishing by one or more Indian tribe(s) through treaties as recognized by *United States v. Washington,* 20 F. Supp. 3d 899 (2008). For purposes of this chapter only, “usual and accustomed fishing area” refers to waterways only and not nearby uplands.

(33) “Vulnerable populations” are communities that experience high cumulative risk from environmental burdens due to:

(a) Adverse socioeconomic factors, such as unemployment, high housing and transportation costs relative to income, and linguistic isolation; and

(b) Sensitivity factors, such as low birth weight and higher rates of hospitalization.

<u>NEW SECTION.</u> **Sec. 16.** All departments and agencies named in this chapter may adopt rules, develop guidance, and create forms and other documents necessary to effectuate the provisions and purposes of this chapter.

<u>NEW SECTION.</u> **Sec. 17.** As of the effective date of this section, chapter 173-442 WAC and associated amendments to chapter 173-441 WAC previously adopted by the department of ecology may not be enforced by the department of ecology. If this chapter is invalidated, the department of ecology is directed to enforce chapter 173-442 WAC and associated amendments to chapter 173-441 WAC.

<u>NEW SECTION.</u> **Sec. 18.** If any provision of this chapter or its application to any person or circumstance is held invalid, the remainder of the chapter or the application of the provision to other persons or circumstances is not affected. If any provision of this chapter or its application to any person or circumstance is held unconstitutional or unlawful, this chapter shall be construed to provide for the maximum application of the pollution fee and investments authorized in this chapter. Each exemption in section 9 of this act is severable and, if any exemption is held unconstitutional or unlawful, the remainder of the chapter is not affected.

<u>NEW SECTION.</u> **Sec. 19.** The findings and determinations in section 1 of this act are an integral part of this chapter. The provisions of this chapter are to be liberally construed to effectuate the policies and purposes of this chapter.

<u>NEW SECTION.</u> **Sec. 20.** The people find and determine that the pollution fee imposed in this chapter is not a tax in light of the purposes, benefits, and use of the fee. Nevertheless, if a court of final jurisdiction determines that the pollution fee imposed in this chapter is a tax, then that tax shall be deemed authorized, imposed, and exempt from the provisions of RCW 82.32.805 and 82.32.808.

<u>NEW SECTION.</u> **Sec. 21.** Sections 1 through 19 of this act constitute a new chapter in Title 70 RCW.

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