
**Technology, Energy &
Communications Committee**

HB 2939

Brief Description: Establishing the energy freedom program.

Sponsors: Representatives Grant, Dunshee and Linville.

Brief Summary of Bill

- Creates the Energy Freedom Loan Account, which is to be funded by \$100 million from the State General Fund.
- Establishes a 13 member Energy Freedom Board (Board) to be staffed by the Department of Community, Trade, and Economic Development (DCTED).
- Allows the Board to establish a competitive process for awarding low-interest loan and grants in research and development of new and renewable energy sources, including infrastructure and facilities.

Hearing Date: 1/17/06

Staff: Kara Durbin (786-7133).

Background:

Oil Production and Consumption in the U.S.

According to the Energy Information Administration (EIA), in 2002, the United States consumed 19.656 million barrels of petroleum (crude oil and petroleum products) per day, or about one-quarter of total world oil production. More than half (62%) was imported oil. The EIA has projected that by 2025, total petroleum consumption in the U.S. will be approximately 28.3 million barrels per day.

While consumption of petroleum in the United States is increasing, oil production has been decreasing steadily since 1970. According to the EIA Annual Energy Outlook for 2004, U.S. petroleum production is expected to decrease slightly from 9.2 million barrels per day in 2002 to 8.6 million barrels per day by 2025, while consumption is expected to rise from 19.6 barrels per day in 2002 to 28.3 million per day by 2024, which represents approximately a 44% increase in consumption.

State Loan Programs for Renewable Energy

According to a study conducted by the National Renewable Energy Laboratory, there are at least 22 active loan programs in 19 states that provide low-cost financing for renewables. Funding for

loan programs in these states varies. Some programs are funded by revolving loan funds, while others are funded through annual appropriations, the sale of bonds, or air-quality noncompliance penalty fees. More recently established programs such as those in New York, Ohio, and Wisconsin are funded by a system benefits charge. Total funding for state loan programs varies as well, with some programs operating with as little as \$200,000 per year, while others lend up to \$200 million per year.

State Expenditure Limit

Initiative 601, enacted by the voters in 1993, established a limitation on state general fund expenditures. Adjustments to the expenditure limit may be made for several reasons: (1) the limit increases each year by the fiscal growth factor, which is population growth added to inflation; (2) the limit is also adjusted, or re-based, each year based on actual expenditures; and (3) the limit is adjusted either up or down if moneys or programs are transferred either to or from the general fund.

Summary of Bill:

The Energy Freedom Program is established. The stated legislative purpose of the Energy Freedom Program is to stimulate strategic investment in facilities, infrastructure, technologies, and research and development that will advance Washington's move towards energy independence.

Energy Freedom Board

The Energy Freedom Board is created. Membership of the Board consists of 13 individuals: the director of the Department of Agriculture or the director's designee; the director of DCTED or the director's designee from the DCTED's Energy Policy Division; four members of the Legislature; and seven members appointed by the Governor, including one recognized expert in renewable energy, one representative from Washington State University, one Washington state grower, one producer of alternative fuels, one public fleet manager, one public buildings manager, and one sustainable society advocate.

Staff support for the Board must be provided by DCTED. Members of the board are appointed to staggered terms of two, three, or four years in duration and may be reappointed to serve more than one term.

Powers and Duties of the Board:

The Board is authorized to accept gifts, grants, or loan of funds or property from any source, so long as accepting the funds is not a conflict of interest.

The Board will develop criteria for low-interest loans or grant awards that may be given to political subdivisions of the state. The board will also establish a competitive process for awarding low-interest loans and grants, including a peer review process involving board members, renewable energy specialists, scientists, energy conservation specialists, and individuals with recognized expertise.

Financial assistance may be awarded by the Board for any of the following types of projects and activities:

- Research and development of new and renewable energy and biofuel sources, including biomass, solar, and wind power;
- Renewable energy and biofuel development infrastructure and facilities; and

- Research and development to develop markets for alternative fuel byproducts.

The Board will establish benchmarks for the program and report annually to the appropriate standing committees of the Legislature.

Energy Freedom Loan Account

The Energy Freedom Loan Account is created in the state treasury. Funds from the account may only be spent after appropriation. Expenditures may be used only for loans and grants to political subdivisions for renewable energy and biofuel development projects and activities.

For the 2005-07 biennium, \$100 million is transferred from the State General Fund to the Energy Freedom Loan Account. This transfer does not lower the state expenditure limit.

For the 2005-07 biennium, \$100 million is appropriated from the Energy Freedom Loan Account to the DCTED.

The Energy Freedom Loan Program expires June 30, 2016.

Appropriation: A sum of \$100 million from the Energy Freedom Loan Account is appropriated..

Fiscal Note: Requested on 1/16/06.

Effective Date: The bill takes effect on July, 1, 2006, except for Section 12, which takes effect on July 1, 2007.