Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Environment Committee

HB 1646

Brief Description: Promoting an equitable clean energy economy by creating a carbon tax that allows investment in clean energy, clean air, healthy forests, and Washington's communities.

Sponsors: Representatives Fitzgibbon, Appleton, Fey, Goodman, McBride, Cody, Macri, Doglio, Pollet and Jinkins.

Brief Summary of Bill

- Imposes an escalating tax on greenhouse gas (GHG) emissions from fossil fuels and electricity beginning July 1, 2018 at a rate of $15 per ton of carbon dioxide equivalent emissions.
- Distributes revenue from the GHG tax to various new programs, including a fund used for certain workers who lose their jobs, a grant program for low-income individuals, and specified types of energy, water, and forest health projects.
- Directs the Washington State University Energy Extension Office, the Recreation and Conservation Office, and the departments of Revenue, Commerce, Ecology, Health, and Social and Health Services to undertake certain actions to impose the GHG tax and to implement programs funded by the tax.
- Establishes two oversight boards to oversee implementation of the GHG tax and programs funded by the tax.

Hearing Date: 3/14/17

Staff: Jacob Lipson (786-7196).

Background:

Federal and State Regulation of Greenhouse Gases.
The United States Environmental Protection Agency (EPA) and the Department of Ecology (ECY) identify carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride as greenhouse gases (GHGs) because of their capacity to trap heat in the

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This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Earth's atmosphere. According to the EPA, the global warming potential (GWP) of each GHG is a function of how much of the gas is concentrated in the atmosphere, how long the gas stays in the atmosphere, and how strongly the particular gas affects global atmospheric temperatures.

Under state law, the GWP of a gas is measured in terms of the equivalence, over a 100-year timeframe, to the emission of an identical volume of carbon dioxide (carbon dioxide equivalent). Under the federal Clean Air Act, GHGs are regulated as an air pollutant and are subject to several air regulations administered by the EPA. These federal Clean Air Act regulations include a requirement that facilities and fuel suppliers whose associated annual emissions exceed 25,000 metric tons of carbon dioxide equivalent report their emissions to the EPA.

At the state level, GHGs are regulated by the ECY under the state Clean Air Act. This state law requires facilities, sources, and sites whose emissions exceed 10,000 metric tons of carbon dioxide equivalent each year to report their annual emissions to the ECY or to local air pollution control authorities that implement the state Clean Air Act. The ECY has adopted rules governing the reporting of GHG emissions that specify the GHG emissions calculation methodology for covered facilities. In September, 2016, the ECY adopted a rule under state Clean Air Act authority (the Clean Air Rule) to limit emissions of GHGs from certain stationary emission sources, petroleum product producers and importers, and natural gas distributors. The Clean Air Rule defines 23 categories of manufacturing businesses as energy intense trade-exposed parties (EITE), and provides emission reduction obligations for EITEs that may differ relative to other parties covered under the rule in terms of the start date and required pace of emissions reductions. Among other provisions of the Clean Air Rule that apply to only to EITEs, EITEs may be subject to less stringent annual emission reduction obligations if the EITE performs better than a benchmark GHG emission intensity for the facility (benchmarks established by the ECY are based on the GHG emission intensity of products manufactured by comparable types of facilities).

Greenhouse Gas Limits.
Since 2008, state limits were established for the emissions of GHGs as follows:
- By 2020, overall GHG emissions in the state must be reduced to 1990 levels;
- By 2035, overall GHG emissions in the state must be reduced to 25 percent below 1990 levels; and
- By 2050, overall GHG emissions in the state must be reduced to 50 percent below 1990 levels, or 70 percent below the state's expected emissions for that year.

These statutory emission limits do not specify how the state must achieve the established limits, nor are emission reductions required to be achieved by particular entities or types of entities. The ECY and Department of Commerce (COM) must report to the Governor and Legislature by December 31 of even-numbered years regarding the total GHG emissions and GHG emissions by source sector.

Other Energy, Environment, and Natural Resource Programs.
The Energy Independence Act (EIA) requires electric utilities with more than 25,000 customers to pursue all energy conservation that is cost-effective, reliable, and feasible. Covered utilities must also meet a certain percent of its annual load with eligible renewable resources. Covered utilities must use eligible renewable resources or acquire equivalent renewable energy credits for

at least 9 percent of its load by January 1, 2016, and each year thereafter through December 31, 2019, and for 15 percent of its load each year, beginning January 1, 2020.

The COM contains the state energy office, which administers several energy-related state programs.

The Washington State University (WSU) Energy Extension Office is a self-supported department within the University that provides research-based services and products for public, private, and nonprofit partner organizations.

The Recreation and Conservation Office administers several grant programs for numerous boards and councils to create outdoor recreational opportunities, protect the state's wildlife habitat and farmland, and assist salmon recovery efforts.

The EPA has developed certain online tools that use pollution monitoring and geographic data that allow the mapping and screening of levels of public exposure to regulated pollutants and other environmental criteria.

Other Taxes.
Washington's major business tax is the Business and Occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The B&O tax is imposed on manufacturing businesses equal to 0.484 percent of the gross income of the business; some specific types of manufacturing are subject to a lower preferential rate.

The Public Utility Tax (PUT) is applied to gross income derived from operation of public and privately owned utilities, including the general categories of transportation, communications, and the supply of energy and water. The PUT is in lieu of the B&O tax. The applicable PUT rate depends upon the specific utility activity.

A state sales tax is levied on the retail sale of tangible personal property, digital goods, and certain services within the state. If a retail sales tax is not collected on the property or services at the time of sale to the consumer, then a separate tax is imposed on the value of the property or services used within the state.

Fuel taxes are levied on diesel fuels, aircraft fuels, and motor vehicle fuels, which include vessel fuels. There are certain exemptions from fuel taxes or from sales and use taxes imposed on fuel, such as a sales and use tax exemption for motor vehicle fuels used on a farm, and exemptions from motor vehicle fuel taxes and sales and use taxes on fuels used for public transportation purposes.

A number of general administrative provisions apply to the collection of taxes by the Department of Revenue (DOR), including taxpayer registration requirements, tax payment, interest, and penalty procedures, and tax payment and reporting timelines.

Other Relevant Program Context.
The Department of Social and Health Services (DSHS) administers a number of programs that provide social services to Washington residents, such as housing assistance programs, the state's

Temporary Assistance for Needy Families (TANF) federal block grant program for eligible adults undergoing workplace transitions, and the Supplemental Nutrition Assistance Program (SNAP) that provides nutritional assistance to low-income individuals or families.

State law requires that prevailing wages be paid to laborers, workers, and mechanics employed upon all public works and under all public building service maintenance contracts. The prevailing wage is the hourly wage, usual benefits, and overtime paid in the largest city in each county to the majority of individuals in the same trade or occupation. The prevailing wage for each county and occupation is established by the industrial statistician for the Department of Labor and Industries.

Apprenticeships are a combination of on-the-job training under the supervision of journey level workers and related classroom instruction. Apprenticeships last from one to six years. During an apprenticeship, apprentices are paid lower wages than journey level workers. Apprenticeship utilization requirements apply to certain state public works projects.

Members of the public are eligible for limited amounts of compensation for their service on certain boards, commissions, councils, and other groups established in state law to have regulatory authority or quasi-judicial or policy advisory roles. Compensation is limited to $50 per day. In addition, state officials and employees that must travel in performance of their state responsibilities are eligible for per-diem subsistence and lodging expenses.

Summary of Bill:

<u>Greenhouse Gas Emissions Tax: Rates</u>.
Beginning July 1, 2018, a tax of $15 dollars per ton of carbon dioxide equivalents is levied on fossil fuels and electricity (GHG tax). The GHG tax rate increases each year on July 1 by seven percent plus inflation until 2047, unless the Department of Ecology (ECY) determines that the sources of emissions covered by the tax have achieved or come close to achieving the combined share of emissions reductions needed for the state to achieve the 2020, 2035, and 2050 greenhouse gas (GHG) emission limits. The GHG tax rate is made contingent upon emission reduction achievements, as determined by the ECY based on the previous year's data, as follows:

- if the covered sources of emissions are determined by the ECY to have achieved their combined share of emission reductions, the GHG tax rate increases the following July 1 by the rate of inflation;
- if the covered sources of emissions are determined by the ECY to have fallen short of their combined share of emission reductions by no more than 3 percent of the overall state GHG limit, the GHG tax rate increases the following July 1 by the rate of inflation plus 2 percent; or
- if the covered sources of emissions are determined by the ECY to have fallen short of their combined share of emission reductions by 3 to 5 percent of the overall state GHG limit, the GHG tax rate increases the following July 1 by the rate of inflation plus 4 percent.

The combined share of emissions reductions needed for the state to achieve its emission limits are measured based on the proportion of GHG emissions of the entities covered by the tax in 2017 relative to overall 2017 state emissions.

Greenhouse Gas Emission Limits.
Washington GHG emission limits for 2035 and 2050 are revised to achieve the following reductions for the state:

- The limit for overall emissions of GHGs in 2035 is reduced from 25 percent below 1990 levels to 40 percent below 1990 levels;
- The limit for overall emissions of GHGs in 2050 is reduced from 50 percent below 1990 levels to 80 percent below 1990 levels.

The ECY and the Department of Commerce's (COM) report on overall state and source sector GHG emissions is due to the Legislature and the Governor on October 31 of even-numbered years, and must address emissions from sources subject to the GHG tax and from sources not subject to the GHG tax. The report must also include a declaration of whether the entities subject to the GHG tax have met their combined share of emission reductions.

Beginning in 2024, this report to the Legislature must evaluate the sufficiency towards achieving GHG emission reduction goals of the automatic adjustments in the tax rate made as a consequence of the emission reductions achieved (or not achieved) by sources subject to the GHG tax. An adjustment to the GHG tax rate must be recommended to the Legislature if the ECY determines that the entities subject to the GHG tax did not meet their combined share of emission reductions.

Greenhouse Gas Emissions Tax: Exemptions.
Electricity and fuels subject to a similar tax or price imposed by a government in another jurisdiction prior to import into Washington are exempt from some or all of the state's GHG tax. This exemption is equal to the amount paid in the other jurisdiction.

The GHG tax does not apply to fossil fuel brought into the state in a fuel supply tank, fuels that are prohibited from taxation under the United States Constitution, or that are sold for export outside of Washington. Fuels used for aviation or maritime purposes are not subject to the GHG tax until at least 2022, and are made permanently exempt from the GHG tax if the ECY determines in 2021 that an international consortium for each of those industries has adopted a GHG emission reduction plan consistent with state GHG goals. Certain other fuel uses are made exempt until July 1, 2039, including fuels used for agricultural purposes, fuels used for public transportation or nonprofit transportation purposes, fuel used by state-owned ferries, and school bus fuel. The Department of Revenue (DOR) must make available a certificate for use by purchasers of exempt fuel.

Greenhouse Gas Emissions Tax: Energy Intense Trade Exposed Facilities.
The COM must adopt a rule identifying energy intensive and trade-exposed (EITE) facilities by December 1, 2017. The rule must, at minimum, identify metal, glass, cement, and pulp and paper manufacturers as EITEs.

The EITE facility fossil fuel use is subject to the GHG tax unless the EITE facility obtains a certificate from the COM that denotes their EITE facility status. This certificate must be provided by the EITE facilities to light and power businesses and fuel suppliers when purchasing fossil fuels or electricity. The EITE facilities must submit a report to the COM at intervals prescribed by the COM rule regarding the EITE facility's consumption of fossil fuels and electricity for the preceding year.

If an EITE facility closes in Washington or moves significant numbers of jobs to facilities outside Washington, the GHG tax exemption for the EITE facility is subject to reduction or cancellation. In addition, in the event that an EITE facility closes or jobs move, the COM must make a recommendation to the DOR regarding the amount of the tax exemption to be recovered from the EITE facility. The DOR must recover previously-exempted GHG taxes upon finding that EITE facility position reductions were relocated and were not a result of the normal business cycle or economic changes. The DOR must seek to recover an amount of the GHG tax that would have been due over the preceding five years, plus interest, in proportion to the percentage of employee positions in the state that moved outside the state.

The EITE facilities must make available personnel and annually submit facility emissions and production data and production process information to the ECY to allow the ECY to establish a benchmark emissions volume for the facility. The benchmark annual emissions volume for a facility must be determined based on the most efficient 50 percent of similar existing facilities, adjusting for production volumes. The ECY must annually determine whether each EITE facility has exceeded its benchmark emissions volume. Beginning in 2020, the annual report submitted by EITE facilities to the COM must also include information regarding the EITE facilities' benchmark annual emissions volume. The EITE facilities' production data and production process information is not subject to disclosure under the public records act.

<u>Greenhouse Gas Emissions Tax: Administrative Provisions</u>.
The DOR must levy and impose the GHG tax on fossil fuels and electricity only once and at the first sale or use taxable event and upon the first taxable person. For persons that pay Business and Occupation (B&O) tax, sales tax, use tax, or Public Utilities Tax (PUT), the reporting and payment of the GHG tax must, where practicable, coincide with the reporting periods for those taxes. All sales of electricity and fossil fuels must show on the sales document the amount and rate of the GHG tax paid, as well as other information required by a rule to be adopted by the DOR. The GHG tax rate must be rounded to the nearest cent, and the DOR must publish the tax rate for a given year by January 1st of that year. The general administrative provisions that apply the DOR's collection of other taxes apply to the DOR's collection of the GHG tax.

The GHG tax on electricity must be paid by light and power businesses. A light and power business is not required to pay the tax on fossil fuels used for electricity generation, if the tax has been paid upstream by the fossil fuel supplier. The tax on combined heat and power must be on the supplied fossil fuels, and not imposed on the electricity generated from the combined heat and power process. Electricity sold by a light and power business to an EITE facility that has obtained an exemption certificate is not subject to the tax. The DOR must adopt rules related to the mechanics and timelines of demonstrations by a light and power business of the exempt status of qualifying sales of electricity.

The DOR must remit GHG taxes to exempt taxpayers that consume electricity or fossil fuels that are documented to have been subject to the GHG tax earlier in the supply chain. The DOR may issue tax remittances in the form of credit against PUT, B&O, sales, and use taxes otherwise due by a taxpayer. The DOR may not remit taxes to an exempt taxpayer that does not:

- have a certificate noting their exempt status; and
- obtain documentation of the taxes paid earlier in the supply chain on electricity or fossil fuels consumed by that exempt taxpayer.

The ECY must adopt a rule by December 2017 specifying the basis for calculating the carbon dioxide equivalent inherent in or associated with fossil fuels and imported electricity. The ECY may consider specified information in adopting the rule, and may periodically update the rule to take effect the following year. The DOR must use the ECY's carbon calculations for purposes of imposing the GHG tax.

Light and power businesses must file a fuel mix report with the COM to coincide with the GHG tax reporting period. The COM must adopt fuel mix reporting requirements by rule to include information necessary to administer the GHG tax. To the extent practicable, electric source reporting requirements must be consistent with other jurisdictions that have adopted taxes, prices or other costs associated with the carbon content of electricity. Electricity not attributed to a generation source is assumed for taxing purposes to have a carbon content of 1 metric ton of carbon dioxide per megawatt hour.

Greenhouse Gas Emissions Tax and Revenue Investment Program Oversight.
Two entities are established for purposes of overseeing aspects of the implementation of the GHG tax and associated programs funded from GHG tax revenue. The Carbon Program Oversight Board (CPOB) is established in the office of the Governor to oversee GHG tax and program implementation and to advise the Governor on whether GHG emission reductions are being equitably, sustainably, and efficiently achieved. The CPOB is comprised of 16 governor-appointed voting members representing specified perspectives or types of organizations, including businesses, advocacy organizations, and local governments. Eight nonvoting members representing state agencies and the Legislature are also named to the CPOB. In addition to providing general oversight for the implementation of the GHG tax and associated programs, the CPOB's responsibilities include:

- determining when qualifying events allowing funding from the Equitable Transition Fund (ETF) have occurred, and the levels of funding needed;
- monitoring GHG tax and program effects to ensure a level playing field for businesses based on their GHG emission footprints, and that leakage of EITE facilities or unfair economic distortions do not occur; and
- ensuring GHG revenue investments are consistent with statutory requirements, including requirements that investments benefit disproportionately impacted communities.

The seven-person Economic and Environmental Justice Oversight Panel (EEJOP) is established as a joint body of the ECY, the Department of Health, and the Governor's Office. Five of the members appointed by the Governor must represent disproportionately impacted communities, and two must represent workers in economic sectors negatively impacted by the GHG tax. Three of the 16 seats on the CPOB must be for EEJOP members. The responsibilities of the EEJOP include:

- providing recommendations to the CPOB;
- ensuring that GHG tax and investment policies improve environmental and economic indicators within disproportionately impacted communities relative to other communities; and
- making recommendations on the recommendations of disproportionately impacted communities regarding investments that benefit or occur in disproportionately impacted communities.

The CPOB and EEJOP may receive staff support from the ECY, the COM, and the Washington State University (WSU) Energy Extension Office. The COM must support the CPOB in rulemaking. Members of the public appointed to serve on the CPOB and EEJOP are eligible for compensation of up to $50 per day, plus reimbursement for travel expenses.

Distribution of Greenhouse Gas Emission Tax Revenues.
The GHG tax receipts are distributed in descending order of priority to:

- an ETF that is created to mitigate the impacts to fossil fuel and EITE facility workers from economic transitions to clean energy;
- the general fund for payments of administrative expenses, and
- specified types of energy, water, and forest health projects.

After distributions to the ETF and to the general fund for payments of administrative expenses, 70 percent of remaining GHG tax revenues are distributed to a Clean Energy Account (CEA) used to fund specified types of clean energy projects, 20 percent are distributed to a Clean Water Climate Program Account (CWCPA) used to fund specified types of water quality, habitat and infrastructure projects, and 10 percent are distributed to a Sustainable Forest Health Account (SFHA) created to fund forest health, wildfire prevention, carbon sequestration, and climate resilience forestry projects. The administrative expenses of state agencies to implement the GHG tax and the new programs may not exceed 5 percent of total GHG tax receipts.

Greenhouse Gas Revenue Distributions: Equitable Transition Fund.
Money in the ETF is intended to make impacted fossil fuel and EITE facility workers substantially whole as a result of losing their jobs in a transition to a clean energy economy. The COM is directed to implement the ETF. The ETF expenditures may include wage, health benefit, and pension contributions for certain workers, tuition and other job retraining costs, peer counseling and employment placement services, and relocation expenses. Cases may be initiated by workers, labor union representatives, or persons serving on the CPOB or EEJOP. The Legislature is declared to intend to prioritize full financial support for the ETF, including the appropriation of $50 million in funding during the first year of the program.

Greenhouse Gas Revenue Distributions: Clean Energy Account.
The CEA receives 70 percent of carbon tax receipts that remain after distributions to the ETF and for tax and program administration by state agencies. Of the funds distributed to the CEA, 35 percent go to a Carbon Reduction Investment Fund (CRIF) and 65 percent percent go to a Sustainable Infrastructure Fund (SIF). The COM must administer the CEA and its two subaccounts using procedures that ensure quantifiable and verifiable emission reductions while minimizing administrative and transaction costs. The COM, in consultation with WSU Energy Extension Office, must set investment prices, of up to $100 per ton for different types of emission reduction projects, and update that price every two years. The price must be set at a size minimally necessary to overcome barriers to deployment in clean energy sectors. After completing a study, the WSU Energy Extension Office must recommend an initial price to the COM by March 1, 2018 and must update its recommendation to the COM every two years.

The CEA expenditures must be designed to stimulate new air pollutant reduction projects, and must be set at a minimum level to stimulate investment. Projects that create or expand fossil fuel infrastructure are not eligible for CEA funding. The EITE facilities are eligible to submit project proposals for funding from the SIF and CRIF to achieve greater efficiency and to help below-benchmark facilities exceed their benchmark efficiency.

Carbon Reduction Investment Fund. Funds in the CRIF must be used for GHG emission reduction projects in Washington or that are connected to energy use in Washington. The WSU Energy Extension Office must adopt procedures to administer the CRIF and oversee funded projects, in consultation with the CPOB. The CRIF expenditures must be prioritized based on the carbon reductions achieved per dollar of investment. Expenditures on each project may not exceed the minimum amount needed to catalyze a project. Eligible projects must demonstrate quantifiable and verifiable GHG emission reductions. A single project may not receive more than 5 percent of the CRIF investments each biennium, and funds for a single project may be disbursed over multiple biennia. The CRIF includes projects that:

- lower the cost of energy through strategic clean energy investments, transitioning to zero-emission vehicles, and reducing dependence on GHG-emitting energy sources;
- increase access to clean energy through clean transportation and renewable energy, including solar projects; and
- reduce energy waste and increase energy efficiency.

Sustainable Infrastructure Fund. Funds in the SIF must be used for GHG emission reduction projects that achieve indirect carbon reductions, have long term or difficult- to-quantify emission reduction prospects, or are not cost-competitive with CRIF projects. Public and private projects are eligible, and preference is given to projects that to not rely on fossil fuels as an energy source, except for projects that improve EITE facility efficiency. Three categories of eligible SIF projects are identified:

- 35 percent of the SIF funds are reserved for transportation projects that reduce pollution, including projects related to electric and advanced-technology vehicles, fuel switching, converting fleets, improving freight mobility, or planning and developing infrastructure;
- 50 percent of the SIF funds are reserved for land use projects including equitable transit-oriented development, expansions or improvements of public transportation infrastructure, and commute trip reduction strategies;
- 15 percent of the SIF funds are reserved for power sector projects that exceed Energy Independence Act (EIA) requirements, that achieve energy efficiency in excess of the EIA's cost-effective conservation requirements, or that facilitate renewable energy integration, deploy distributed energy resources, increase system resiliency, or reduce generation or capacity needs.

The CPOB may adopt rules to establish policies and priorities for ranking SIF projects. In addition to prioritizing projects with high labor standards, the CPOB must rank SIF projects based on seven enumerated criteria, including the volume of emissions avoided, the cost per ton of emissions reduced, the reduction of other air pollutants, and the availability of matching funds. The CPOB may rely on the advice of committees of technical subject-matter experts appointed by the Governor and EEJOP. Separate committees of technical experts must be formed for transportation, land use, and power sector project applications, and the total number of technical experts to assist the CPOB may not exceed 11 persons. The CPOB must submit a prioritized list of projects to the Governor each biennium, and the Governor in turn must submit this list as part of the biennial capital budget request. The Legislature may remove projects from the list recommended by the Governor. The CPOB may not obligate funds or sign contracts prior to legislative appropriation of funds.

Greenhouse Gas Revenue Distributions: Clean Water Climate Program Account.
A new CWCPA receives 20 percent of carbon tax receipts that remain after distributions to the ETF and for state agency tax and program implementation. The ECY must use CWCPA funds for grants and loans for sustainable water projects and activities that take climate impacts into consideration. The CWCPA projects must mitigate or facilitate climate change adaptation and provide long-term climate resilience benefits. The ECY must use the CWCPA in approximately equal amounts for activities and projects that:

- protect estuary, marine, and shoreline habitat;
- reduce flood risk and restore floodplain and riparian ecological function;
- plan or carry out sustainable water use cost-effectively and to achieve multiple benefits; and
- improve infrastructure for treating stormwater generated in developed, urban areas.

The ECY must follow specified criteria in selecting and ranking projects within each category. In addition, the ECY must consider certain general criteria for all project categories, such as project cost-effectiveness, opportunities to leverage other investments, and whether multiple benefits will be achieved.

GHG Revenue Distributions: Sustainable Forest Health Account.
A new SFHA receives 10 percent of carbon tax receipts that remain after distributions to the ETF and for state agency tax and program implementation. Funds in the SFHA may be used for projects related to forest health, wildfire prevention, pollutant filtration or sequestration by forests, and long-term climate resiliency. In addition, SFHA projects must achieve improvements in air quality, water quality, public recreation, wildlife habitat, or climate resiliency. The SFHA funds must be spent in approximately equal amounts on:

- wildfire prevention and community wildfire preparedness projects;
- forest health projects that involve thinning or prescribed fire; and
- a working forest conservation easement program primarily focused on maximizing carbon sequestration, administered by the Recreation and Conservation Office.

Low-Income Carbon Pollution Tax Grant Program.
In addition to the programs funded directly through carbon tax revenues, a carbon pollution mitigation tax grant program for low-income residents is created and to be administered by the Department of Social and Health Services (DSHS).

Persons eligible to receive grants under the program include persons eligible for Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), or other means-tested benefits, and nonresident aliens with a federal taxpayer identification number who has resided in Washington for at least 180 days. The program must disburse grants of specified amounts, ranging from $30 per year per family to $300 per year per family, based on recipients' adjusted gross incomes reported on their federal income tax returns and the number of children in the recipient household. Tax grant rates are adjusted every two years based on the consumer price index for urban wage earners and clerical workers published by the United States Bureau of Labor Statistics. Grants received by a person are not considered as income for purposes of determining food stamp or benefit program eligibility, to the maximum extent that it can be excluded under federal law.

The DSHS must begin accepting applications from eligible persons by October 1, 2019, and may not disburse grants for any period prior to July 1, 2018. The DSHS may design and implement a public information campaign regarding the grant program.

Energy, Water, and Forest Program Expenditure Requirements.
By March 1, 2018, the Department of Health must conduct a cumulative impacts analysis to identify disproportionately impacted communities. These communities must be mapped and ranked on a census-tract scale based on geographic, socioeconomic, public health, and environmental burden criteria, including areas impacted by dangerous air pollutants or climate change vulnerabilities and areas with high concentrations of populations with low income and wealth, low educational attainment, high unemployment, or other specified characteristics. Beginning in 2022, under EEJOP oversight, the disproportionately impacted community mapping and rankings must be updated. Beginning in 2024, the disproportionately impacted community identification methodology must also be updated every four years.

Of the energy, water, and forest health projects funded from GHG tax revenues, a minimum of 25 percent of the GHG tax revenues must be used for projects that directly benefit the most disproportionately impacted communities, and a minimum of 10 percent of expenditures must be located within the most disproportionately impacted communities. Projects are considered to benefit a disproportionately impacted community if they reduce socioeconomic or environmental disparities, protect the community from anticipated climate change impacts, or meet a community need, as determined by the EEJOP.

State agencies with control over the GHG tax revenue expenditures must track whether agency expenditures meet disproportionately impacted community investment requirements, and must submit a biennial report to the COM, EEJOP, and CPOB regarding agency expenditures. After receiving approval from the EEJOP, the COM must submit a biennial report to the Legislature regarding whether state agency expenditures on energy, water, and forest health programs meet the investment requirements associated with disproportionately impacted communities. If state agency expenditures do not meet investment requirements, the report must include recommendations for attaining compliance during the upcoming fiscal biennium.

All investments in energy, water, and forest health projects must give preference to projects that meet high labor standards criteria that provide prevailing wage rates, include apprenticeship, pre-apprenticeship utilization and preferred entry standards, and use domestic content to lower GHG emissions.

The COM must provide technical assistance, including grant application assistance, to applicants for projects that benefit disproportionately impacted communities.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.