Fiscal Impact Statement for Initiative 2066

FISCAL IMPACT SUMMARY

If voters approve Initiative 2066, there will be a net increase in state costs for rulemaking activities at state agencies of approximately $29,100. There could be an increase in state revenues due to gas utilities needing to purchase additional carbon auction allowances and increased public utility tax revenue, but the amount of increased revenue is unknown. Local governments will have increased costs to redo some Growth Management Act planning work, but the total costs of doing so are indeterminate. Two cities that operate gas utilities could have increased costs for carbon auction allowances, but those costs are also indeterminate.

General Assumptions

- The effective date of the initiative is December 5, 2024.
- The provisions of the initiative apply prospectively, not retroactively.
- The estimates use the state's fiscal year (SFY) of July 1 through June 30. State fiscal year 2025 is July 1, 2024, through June 30, 2025

State Revenue

Department of Ecology

Under the Climate Commitment Act, the Department of Ecology administers the Cap-and-Invest Program, which sets a cap on overall carbon emissions in the state and requires businesses to obtain carbon emission allowances equal to their covered greenhouse gas emissions. Under the program, any gas utility that is responsible for 25,000 metric tons or more of carbon dioxide-equivalent emissions per year is required to acquire emissions allowances equal to its emissions. Gas utilities currently receive free emission allowances to help ease the cost burden of transitioning away from fossil fuels. In 2024, the utilities receive emission allowances equal to 86% of their utility's emissions, and that amount decreases by 7% per year ongoing.

Initiative 2066 would prohibit natural gas utilities from offering incentives to customers to terminate their natural gas service and requires utilities providing natural gas to offer natural gas service to those who demand it. This change could result in utilities being required to buy more emission allowances than anticipated under current law, resulting in greater demand at allowance auctions, which could increase the prices paid for allowances and thereby generate increased carbon allowance auction revenues for the state. Because the future demand for natural gas is unknown, any change in revenue to the state is indeterminate.

Department of Revenue

Under the initiative, there could be an impact to public utility taxes collected. The Department of Revenue cannot determine how many customers would use natural gas or how long it would take for utilities to offer it to all users in their service area; therefore, the total impact to state public utility tax revenue is indeterminate.

State Expenditures

State agency expenditures are estimated to be a net total of $29,100 over five state fiscal years as a result of the initiative. Costs and savings by agency are:

Office of Financial Management

Table 1. Expenditures, by agency (State General Fund and Public Services Revolving Account)

	SFY 2025	SFY 2026	SFY 2027	SFY 2028	SFY 2029
State Building Code Council	$5,400	$43,700	$0	$0	$0
Utilities and Transportation Commission	($20,000)	$0	$0	$0	$0
TOTAL	**($14,600)**	**$43,700**	**$0**	**$0**	**$0**

State Building Code Council
The initiative would require the State Building Code Council (SBCC) to amend various energy and building codes that limit the use of natural gas. To amend those codes, the SBCC would convene technical advisory group meetings, committee meetings, council meetings, and public hearings in various locations in the state. The Department of Enterprise Services estimates the total cost of these activities would be $49,100

Utilities and Transportation Commission
Current state law (Chapter 351, Laws of 2024) requires the Utilities and Transportation Commission (UTC) to initiate rulemaking. If the initiative passes, currently required rulemaking activities related to the cost of decarbonization and electrification measures would no longer be required. This would reduce UTC costs for that rulemaking by approximately $20,000.

Department of Revenue
The department may have minimal administrative costs, which are indeterminate at this time.

Local Expenditure

Local Programs

Revenue and expenditure impacts on local governments are indeterminate.

The initiative would impact Growth Management Act (GMA) planning of the 108 largest cities and counties. To achieve greenhouse gas (GHG) emissions reduction goals required by the GMA, cities and counties have been assuming the phase out of natural gas in their plans. If the initiative passes, they can no longer assume the phasing out of natural gas to achieve the GHG emissions goal. Therefore, the GMA planning work completed by cities and counties on the GHG emissions reduction goal would need to be redone. The revisions would include marketing and outreach about the new GHG emission targets, revising and implementing local ordinances, and amending local plans, which will vary by city and county. Since too many variables are unknown, the costs are indeterminate.

Two municipalities in Washington are natural gas providers and are required to participate in the Climate Commitment Act's cap-and-invest program: the City of Enumclaw and City of Ellensburg. If I-2066 passes, these cities may need to purchase additional carbon emission allowances to meet their obligations under the Climate Commitment Act to reduce greenhouse gas emissions over time. However, the total impact on these utilities cannot be known at this time.