

## SUMMARY and FISCAL NOTE\*

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*\* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to heating oil; imposing a tax on heating oil service providers; directing the expenditure of heating oil tax revenues; directing relevant City departments to create a plan for regulating the use of heating oil tanks; adding a new Chapter 5.47 to the Seattle Municipal Code; and amending Sections 5.30.010, 5.30.060, 5.55.010, 5.55.040, 5.55.060, 5.55.150, 5.55.165, 5.55.220, 5.55.230, and 6.208.020 of the Seattle Municipal Code.

#### **Summary and background of the Legislation:**

This legislation would reduce carbon emissions in the residential sector by 16-18% (from a 2008 baseline), reduce energy costs for households especially those with lower incomes, reduce future hazards of oil tank leaks, and provide a host of non-energy benefits which support improved comfort, health and safety. OSE currently implements an existing oil conversion rebate program using \$200,000 of General Fund money to convert approximately 200 homes per year. The intent of this legislation is to further reduce carbon emissions from oil heat by expanding the existing program model.

This legislation creates a new tax for heating oil service providers and requires licensees to pay a \$.236/gallon tax on each gallon of heating oil sold in Seattle; funds will be deposited into a newly created Heating Oil Tax Fund. The funds generated from the heating oil tax will help pay 100% of the costs for the conversion of approximately 1,000 low-income households from oil to electric heat pumps; will expand existing rebate program to support 1,700 non low-income homes with a heat pump rebate. Funds will also be used for education and outreach to low-income households, program delivery costs, and workforce training support for 4-5 heating oil service providers and their employees. The tax is effective July 1, 2020.

In order to reduce future hazards of leaking heating oil tanks, this legislation directs relevant City departments to develop a plan by July 1, 2020 for regulating heating oil storage tanks with the intent that tank owners decommission or replace heating oil tanks no later than Dec. 31, 2028.

### **2. CAPITAL IMPROVEMENT PROGRAM**

**Does this legislation create, fund, or amend a CIP Project?** \_\_\_ Yes \_\_\_X\_\_\_ No

### **3. SUMMARY OF FINANCIAL IMPLICATIONS**

**Does this legislation amend the Adopted Budget?**     Yes  No

**Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?**

- Standard Rebates: 1,700 conversions (avg. \$250,00 per year).
- Low-income Conversions: 1,075 conversions (avg. \$625,000 per year).
- Low-income tax exemption: \$120 annual credit to low-income households (avg. \$100,000 per year).
- Low-income conversion program delivery: Costs for the Office of Housing to administer delivery of services (avg. \$125,000 per year)
- Marketing/Outreach: Mailings, brochures, flyers, events, etc. to oil heated households to increase awareness of tax and programs (avg. \$50,000 per year).
- Contractor Training: Workforce training program for oil dealer employees (avg. \$25,000 per year)
- Program FTE: Position in OSE to oversee rebate program, outreach/education, contractor training program, oil dealer tax and reporting, etc. Transition to .5 FTE in 2026 (avg. \$120,000 per year).

All costs are assumed in revenue projections and backed by tax revenue generated by this legislation. Budget appropriations and position authority for this work either already exists or will be included in future budget legislation.

**Is there financial cost or other impacts of *not* implementing the legislation?** In order for the City of Seattle to meet its carbon neutral goal by 2050, it must employ policies that reduce carbon pollution in all sectors. The residential sector must reduce carbon emissions by 32% by 2030. Based on the recent carbon inventory, the City is not on track to meet its goals. Climate change affects all residents of Seattle but hits the most vulnerable the hardest. Without implementation of this legislation, households with lower incomes will be burdened with high energy costs, expensive furnace replacements and leaking oil tanks.

**3.a. Appropriations**

This legislation adds, changes, or deletes appropriations.

**3.b. Revenues/Reimbursements**

This legislation adds, changes, or deletes revenues or reimbursements.

**Anticipated Revenue/Reimbursement Resulting from this Legislation:**

Fund Name and Number	Dept	Revenue Source	2019 Revenue	2020 Estimated Revenue
General Fund (00100)	OSE	Heating Oil Tax	\$0	\$889,425
<b>TOTAL</b>			<b>\$0</b>	<b>\$889,425</b>

### **Is this change one-time or ongoing?**

The tax is ongoing and is expected to continue through 2028 in order to complete the expected number of oil conversions, until no additional conversion opportunities exist. This revenue is based on the amount of heating oil sold to households who have not converted over period of July 1, 2020 through 2028.

**Revenue/Reimbursement Notes:** The revenue for 2020 is based on taxes collected for periods July 1, 2020 – Dec. 31, 2020. Revenue in 2021 (the first full year of collection) is expected to be \$1,593,000. See revenues and expenses in exhibit below.

### **3.c. Positions**

**\_\_\_\_\_ This legislation adds, changes, or deletes positions.**

### **4. OTHER IMPLICATIONS**

#### **a. Does this legislation affect any departments besides the originating department?**

Office of Housing: Will administer the oil conversion program for low-income households. The budget reflects the costs for delivery of service.

Seattle City Light: Will fund the incremental cost of an electric furnace to heat pump for low-income households through existing program and weatherization agreement with Office of Housing. They will also need to apply the tax credit on SCL accounts for UDP customers with oil heat.

FAS: Will set up Heating Oil Tax Fund and enforce the heating oil tax if an oil dealer does not pay or report to OSE. Enforcement will be absorbed into existing resources.

Seattle Fire Department: Will co-develop a plan with OSE concerning the replacement or decommissioning of residential heating oil tanks.

SDCI: Will co-develop a plan with OSE concerning the replacement or decommissioning of residential heating oil tanks.

#### **b. Is a public hearing required for this legislation?**

No.

#### **c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**

No.

#### **d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No.

**e. Does this legislation affect a piece of property?**

No.

**f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**

It is expected that the tax paid by the oil service provider will be passed on to their customers. Households will pay on average of \$120/year. To mitigate this impact, the tax will be credited back to households with lower incomes and the credit will appear on the household's City Light account. The goal is to convert as many households with lower incomes as possible so that they are not burdened by future taxes. OSE will contract with community-based organizations to create outreach materials in various languages including mailings, flyers, brochures, etc. OSE and OH will also use resources such as on-call translators.

**g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).**

- Reduce carbon emissions by 16-18% (over 2008 baseline). Legislation will support through tax on heating oil with funds to help households convert to clean electricity and efficient heat pumps
- Convert households with low incomes to clean electricity and energy efficient heat pumps. Provide co-benefits such as improved comfort and reduced energy bills.
- Workforce creation and skills training for oil dealers and their employees.

**List attachments/exhibits below:**

Summary Exhibit 1 – Revenue and Expense Projections