(SUBSTITUTED FOR - SEE 2ND SUB)

Provides that, to reduce fossil fuel dependence and build our clean energy economy, the state should develop policies and incentives that help businesses, consumers, and farmers gain greater access to affordable clean fuels and vehicles and to produce clean fuels in the state. These policies and incentives should include: (1) Incentives for replacement of the most polluting diesel engines, especially in school buses;

- (2) Transitional incentives for development of the most promising in-state clean fuels and fuel feedstocks, including biodiesel crops and ethanol from plant waste;
 - (3) Reduced fossil fuel consumption by state fleets;
- (4) Development of promising new technologies for displacing petroleum with electricity, such as "plug-in hybrids"; and
- (5) Impact analysis and emission accounting procedures that prepare Washington to respond and prosper as global warming impacts occur and as policies and markets to reduce global warming pollution are developed.

Finds that it is not cost-effective to retrofit much older buses because of their mechanical condition and very high emissions. Replacement with new, ultra-low emission buses, beginning with the model year 2007, is the most effective means to nearly eliminate the toxic emissions generated by the use of these older buses. In addition, newer buses are safer, more reliable, provide significantly higher fuel economy, and have lower overall operating costs. An incentive program to accelerate purchase of newer buses and replacement of older buses will more quickly achieve these gains and result in a lower health risk to children.

Requires the office of the superintendent of public instruction to implement a school bus replacement incentive program. As part of the program, the office shall fund up to ten percent of the cost of a new 2007 or later model year school bus purchased by a school district by no later than June 30, 2009, provided that the new bus is replacing a 1994 or older school bus in the school district's fleet. Replacement of the oldest buses must be given highest priority.

Directs the office of the superintendent of public instruction to ensure that buses being replaced through this program are surplused under RCW 28A.335.180.

Appropriates the sum of five million dollars, or as much thereof as may be necessary, for the biennium ending June 30, 2009, from the clean energy incentive account created in section 601 of this act to the office of the superintendent of public instruction for the purposes of this act.

Finds that the development of a Washington-based feedstock agricultural and forest products market is highly desirable for producing biodiesel and ethanol. Research and incentive programs are needed to develop a market in Washington to produce cellulosic ethanol from wood waste and other organic materials. Cellulosic ethanol is a preferred biofuel because it provides much greater reductions in petroleum dependence and carbon emissions as compared to starch-based ethanol.

Declares it is important for the state of Washington to develop a complete supply chain infrastructure that allows the state government, including its local government subdivisions, to supply its complete fuel needs with biofuels produced from feedstocks completely produced in Washington. The goal of suppling one hundred percent of state and local government's fuel needs with biofuels should be a reality by 2015.

Provides that, by no later than January 1, 2020, the annual fossil fuel usage by the state's motor vehicle fleets must be at least twenty-five percent below the annual usage for the year 2006.

Declares it is in the state's interest and to the benefit of the people of the state to encourage the use of electrical vehicles in order to reduce emissions and provide the public with cleaner air. This section expressly authorizes the purchase of power at state expense to recharge privately and publicly owned plug-in electrical vehicles at state office locations where the vehicles are used for state business, are commute vehicles, or where the vehicles are at the state location for the purpose of conducting business with the state.

Appropriates the sum of five hundred thousand dollars, or as much thereof as may be necessary, for the biennium ending June 30, 2009, from the clean energy incentive account created in section 601 of this act to the department of community, trade, and economic development for the purposes of staffing the vehicle electrification work group and providing research to carry out the work of the group.

Finds that it is important for the state of Washington to participate in emerging regional, national, and international markets to mitigate climate change.

Appropriates the sum of two hundred fifty thousand dollars, or as much thereof as may be necessary, for the biennium ending June 30, 2009, from the clean energy incentive account created in this act to the climate impacts group at the University of Washington for the purposes of contracting for an analysis of the potential human health impacts of global warming on the state of Washington.

Appropriates the sum of five hundred thousand dollars, or as much thereof as may be necessary, for the biennium ending June 30, 2009, from the clean energy incentive account created in this act to the department of community, trade, and

economic development for the purposes of developing and recommending a framework for the state of Washington to participate in emerging regional, national, and global markets to mitigate climate change, on a multisector basis, including the forest sector.

Requires the department of general administration, in conjunction with private sector suppliers, to develop a pilot program for providing E85 fueling capacity at appropriate intervals and locations along at least interstate routes 5, 82, and 90 throughout the state for the use of public and private vehicles.

Appropriates the sum of five hundred thousand dollars, or as much thereof as may be necessary, for the biennium ending June 30, 2009, from the clean energy incentive account created in this act to the office of financial management to be provided to the clean energy coordinator created in this act and for the purpose of providing greater access to public sector fueling capacity for biofuels.

Appropriates the sum of six million seven hundred fifty thousand dollars, or as much thereof as may be necessary, for the biennium ending June 30, 2009, from the clean energy incentive account created in this act to Washington State University for the purposes of this act and for qualifying for potential federal matching funds for research on biofuels.

Appropriates the sum of two million one hundred thousand dollars, or as much thereof as may be necessary, for the biennium ending June 30, 2009, from the clean energy incentive account created in this act to the climate impacts group at the University of Washington for the purposes of producing a fifty-year comprehensive state climate change assessment