AN ACT Relating to providing for the means to encourage the use of cleaner energy thereby providing for healthier communities by reducing emissions; amending RCW 53.08.040, 70.94.017, 15.110.040, 15.110.020, and 43.19.642; adding a new section to chapter 28A.300 RCW; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; adding a new section to chapter 15.110 RCW; adding a new section to chapter 19.112 RCW; adding new sections to chapter 43.19 RCW; adding a new section to chapter 43.01 RCW; adding a new section to chapter 43.41 RCW; adding new sections to chapter 43.31 RCW; adding a new section to chapter 43.135 RCW; adding a new section to chapter 28B.30 RCW; creating new sections; making appropriations; providing an effective date; and providing an expiration date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. Sec. 1. (1) The legislature finds that excessive dependence on fossil fuels jeopardizes Washington's economic security, environmental integrity, and public health. Accelerated development and use of clean fuels and clean vehicle technologies will reduce the drain on Washington's economy from importing fossil fuels. As fossil
fuel prices rise, clean fuels and vehicles can save money for consumers while promoting the development of a major, sustainable industry that provides good jobs and a new source of rural prosperity.

(2) Clean fuels and vehicles will protect public health by reducing toxic air pollution and reduce our largest source of global warming pollution. The state must better understand and prepare for the effects of global warming and the challenges and opportunities associated with evolving climate policies and carbon markets.

(3) 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: Incentives for replacement of the most polluting diesel engines, especially in school buses; transitional incentives for development of the most promising in-state clean fuels and fuel feedstocks, including biodiesel crops and ethanol from plant waste; reduced fossil fuel consumption by state fleets; development of promising new technologies for displacing petroleum with electricity, such as "plug-in hybrids"; and 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.

PART 1

CLEAN DIESEL INITIATIVE

NEW SECTION. Sec. 101. (1) The legislature finds that fine particle air pollution attributable to diesel fuel is a significant health hazard to school children and other residents in our state. Sources of diesel emissions include diesel-powered trucks, buses and cars, diesel-powered marine vessels, construction equipment, trains, aircraft support equipment, cargo handling equipment, and a variety of other on and off-road engines. Reducing fine particles and toxic emissions from diesel emissions and other sources of pollution reduces the adverse health impacts on children, reduces cancer risk, and reduces the incidence and severity of asthma attacks and chronic bronchitis. Reducing diesel emissions, in addition to strategies to reduce wood smoke, will also aid areas of the state facing potential
nonattainment of new fine particle standards established by the United States environmental protection agency and help avoid the adverse health and economic impacts of nonattainment.

(2) Under the current Washington state clean school bus program, approximately seven thousand five hundred diesel school buses, over three-quarters of the existing fleet statewide, will be retrofitted by 2008. Reduced exhaust emissions from these retrofitted buses provide cleaner air to breathe for the children riding the buses and the citizens in the communities served by the buses.

(3) The legislature 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.

(4) Even with new federal diesel fuel and engine standards going into effect in 2006 and 2007, and due to the long life of diesel engines, diesel emissions will continue to be an air pollution concern for many years.

(5) Many public and private fleets continue to use diesel equipment that has not been retrofitted to reduce emissions. Therefore, the legislature finds that it is important to continue to take measures to reduce diesel emissions in our state so we protect the health of our citizens and create healthier communities. Reducing diesel emissions will also allow continued growth in major ports in the state by maintaining air quality within federal standards.

NEW SECTION. Sec. 102. A new section is added to chapter 28A.300 RCW to read as follows:

(1) The office of the superintendent of public instruction shall 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.

(2) The office of the superintendent of public instruction shall ensure that buses being replaced through this program are surplused under RCW 28A.335.180. As part of the surplus process, school districts must provide written documentation to the office of the superintendent of public instruction demonstrating that buses being replaced are scrapped and not purchased for road use. The documentation must include bus make, model, year, vehicle identification number, engine make, engine serial number, and salvage yard receipts; and must demonstrate that the engine and body of the bus being replaced has been rendered unusable.

NEW SECTION. Sec. 103. The sum of five million dollars, or as much thereof as may be necessary, is appropriated 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 section 102 of this act.

NEW SECTION. Sec. 104. A new section is added to chapter 82.08 RCW to read as follows:

(1) The tax levied by RCW 82.08.020 does not apply to sales of emissions control equipment, or for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving the equipment, including repair and replacement parts, if the equipment is used to retrofit diesel vehicles that are 1994 model year or older.

(2) For the purposes of this section, "emissions control equipment" means a device with an oxidation catalyst, particulate filter, crankcase ventilation filter, or other means of reducing emissions from diesel vehicles, and that has been verified under the federal environmental protection agency's voluntary diesel retrofit program.

NEW SECTION. Sec. 105. A new section is added to chapter 82.12 RCW to read as follows:

(1) The provisions of this chapter do not apply in respect to the use of emissions control equipment, or of labor and services rendered
in respect to installing, repairing, cleaning, altering, or improving the equipment, if the equipment is used to retrofit diesel vehicles that are 1994 model year or older.

(2) For the purposes of this section, the definitions in section 104 of this act apply.

Sec. 106. RCW 53.08.040 and 1989 c 298 s 1 are each amended to read as follows:

(1) A district may improve its lands by dredging, filling, bulkheading, providing waterways or otherwise developing such lands for industrial and commercial purposes. A district may also acquire, construct, install, improve, and operate sewer and water utilities to serve its own property and other property owners under terms, conditions, and rates to be fixed and approved by the port commission. A district may also acquire, by purchase, construction, lease, or in any other manner, and may maintain and operate other facilities for the control or elimination of air, water, or other pollution, including, but not limited to, facilities for the treatment and/or disposal of industrial wastes, and may make such facilities available to others under terms, conditions and rates to be fixed and approved by the port commission. Such conditions and rates shall be sufficient to reimburse the port for all costs, including reasonable amortization of capital outlays caused by or incidental to providing such other pollution control facilities (PROVIDED, That). However, no part of such costs of providing any pollution control facility to others shall be paid out of any tax revenues of the port (AND PROVIDED FURTHER, That) and no port shall enter into an agreement or contract to provide sewer and/or water utilities or pollution control facilities if substantially similar utilities or facilities are available from another source (or sources) which is able and willing to provide such utilities or facilities on a reasonable and nondiscriminatory basis unless such other source (or sources) consents thereto.

(2) In the event that a port elects to make such other pollution control facilities available to others, it shall do so by lease, lease purchase agreement, or other agreement binding such user to pay for the use of said facilities for the full term of the revenue bonds issued by the port for the acquisition of said facilities, and said payments shall at least fully reimburse the port for all principal and interest
paid by it on said bonds and for all operating or other costs, if any, incurred by the port in connection with said facilities. However, where there is more than one user of any such facilities, each user shall be responsible for its pro rata share of such costs and payment of principal and interest. Any port intending to provide pollution control facilities to others shall first survey the port district to ascertain the potential users of such facilities and the extent of their needs. The port shall conduct a public hearing upon the proposal and shall give each potential user an opportunity to participate in the use of such facilities upon equal terms and conditions.

(3) "Pollution control facility," as used in this section and RCW 53.08.041, does not include air quality improvement equipment that provides emission reductions for engines, vehicles, and vessels.

Sec. 107. RCW 70.94.017 and 2005 c 295 s 5 are each amended to read as follows:

(1) Money deposited in the segregated subaccount of the air pollution control account under RCW 46.68.020(2) shall be distributed as follows:

(a) Eighty-five percent shall be distributed to air pollution control authorities created under this chapter. The money must be distributed in direct proportion with the amount of fees imposed under RCW 46.12.080, 46.12.170, and 46.12.181 that are collected within the boundaries of each authority. However, an amount in direct proportion with those fees collected in counties for which no air pollution control authority exists must be distributed to the department.

(b) The remaining fifteen percent shall be distributed to the department.

(2) Money distributed to air pollution control authorities and the department under subsection (1) of this section must be used as follows:

(a) Eighty-five percent of the money received by an air pollution control authority or the department is available on a priority basis to retrofit school buses with exhaust emission control devices or to provide funding for fueling infrastructure necessary to allow school bus fleets to use alternative, cleaner fuels. In addition, the director of ecology or the air pollution control officer may direct
funding under this section for other publicly or privately owned diesel equipment if the director of ecology or the air pollution control officer finds that funding for other publicly or privately owned diesel equipment will provide public health benefits and further the purposes of this chapter.

(b) The remaining fifteen percent may be used by the air pollution control authority or department to reduce transportation-related air contaminant emissions and clean up air pollution, or reduce and monitor toxic air contaminants.

(3) Money in the air pollution control account may be spent by the department only after appropriation.

(4) This section expires July 1, 2020.

PART 2
CLEAN FUELS INITIATIVE

NEW SECTION. Sec. 201. (1) The legislature 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.

(2) 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 supplying one hundred percent of state and local government’s fuel needs with biofuels should be a reality by 2015.

NEW SECTION. Sec. 202. A new section is added to chapter 15.110 RCW to read as follows:

(1) Cellulosic ethanol production facilities are eligible for assistance under the energy freedom program.

(2) For the purposes of this section, "cellulosic ethanol" means ethanol derived from any lignocellulosic or hemicellulosic matter that
is available on a renewable or recurring basis, including dedicated
energy crops and trees, wood and wood residues, plants, grasses,
agricultural residues, fibers, animal wastes and other waste materials,
and municipal solid waste.

NEW SECTION. Sec. 203. A new section is added to chapter 19.112
RCW to read as follows:
(1) In addition to any other authority provided by law, conservation
districts and public development authorities are authorized to enter into crop purchase contracts for a dedicated energy crop for the purposes of producing, selling, and distributing biodiesel produced from Washington state feedstocks, cellulosic ethanol, and cellulosic ethanol blend fuels.
(2) In addition to any other authority provided by law, electric utilities are authorized to produce and distribute biodiesel, ethanol, and ethanol blend fuels, including entering into crop purchase contracts for a dedicated energy crop for the purpose of generating electricity or producing biodiesel produced from Washington feedstocks, cellulosic ethanol, and cellulosic ethanol blend fuels for use in internal operations of the electric utility and for sale or distribution.

Sec. 204. RCW 15.110.040 and 2006 c 171 s 5 are each amended to read as follows:
If the total requested dollar amount of assistance exceeds the amount available in the energy freedom account created in RCW 15.110.050, the applications must be prioritized based upon the following criteria:
(1) The extent to which the project will help reduce dependence on petroleum fuels and imported energy either directly or indirectly;
(2) The extent to which the project will reduce air and water pollution either directly or indirectly;
(3) The extent to which the project will establish a viable bioenergy production capacity in Washington;
(4) The benefits to Washington's agricultural producers; ((and))
(5) The benefits to the health of Washington's forests; and
(6) The number and quality of jobs and economic benefits created by the project.
Sec. 205. RCW 15.110.020 and 2006 c 171 s 3 are each amended to read as follows:

(1) The energy freedom program is established within the department. The director may establish policies and procedures necessary for processing, reviewing, and approving applications made under this chapter.

(2) When reviewing applications submitted under this program, the director shall consult with those agencies having expertise and knowledge to assess the technical and business feasibility of the project and probability of success. These agencies may include, but are not limited to, Washington State University, the University of Washington, the department of ecology, the department of community, trade, and economic development, the department of natural resources, and the Washington state conservation commission.

(3) The director, in cooperation with the department of community, trade, and economic development, may approve an application only if the director finds:

(a) The project will convert farm products or wastes directly into electricity or into gaseous or liquid fuels or other coproducts associated with such conversion;

(b) The project demonstrates technical feasibility and directly assists in moving a commercially viable project into the marketplace for use by Washington state citizens;

(c) The facility will produce long-term economic benefits to the state, a region of the state, or a particular community in the state;

(d) The project does not require continuing state support;

(e) The assistance will result in new jobs, job retention, or higher incomes for citizens of the state;

(f) The state is provided an option under the assistance agreement to purchase a portion of the fuel or feedstock to be produced by the project, exercisable by the department of general administration;

(g) The project will increase energy independence or diversity for the state;

(h) The project will use feedstocks produced in the state, if feasible, except this criterion does not apply to the construction of facilities used to distribute and store fuels that are produced from farm products or wastes;
(i) Any product produced by the project will be suitable for its intended use, will meet accepted national or state standards, and will be stored and distributed in a safe and environmentally sound manner;

(j) The application provides for adequate reporting or disclosure of financial and employment data to the director, and permits the director to require an annual or other periodic audit of the project books; and

(k) For research and development projects, the application has been independently reviewed by a peer review committee as defined in RCW 15.110.010 and the findings delivered to the director.

(4) The director may approve an application for assistance up to five million dollars. In no circumstances shall this assistance constitute more than fifty percent of the total project cost.

(5) The director shall enter into agreements with approved applicants to fix the terms and rates of the assistance to minimize the costs to the applicants, and to encourage establishment of a viable bioenergy industry. The agreement shall include provisions to protect the state's investment, including a requirement that a successful applicant enter into contracts with any partners that may be involved in the use of any assistance provided under this program, including services, facilities, infrastructure, or equipment. Contracts with any partners shall become part of the application record.

(6) The director may defer any payments for up to twenty-four months or until the project starts to receive revenue from operations, whichever is sooner.

PART 3
ESTABLISH GOALS FOR EMISSION REDUCTION OF THE STATE'S MOTOR VEHICLE FLEETS

NEW SECTION. Sec. 301. The legislature finds that there is a compelling public interest in reducing fossil fuel dependence and emissions of global warming pollution. It is important for the state of Washington to demonstrate leadership in this regard and achieve reductions in the use of fossil fuels by state fleets.

NEW SECTION. Sec. 302. A new section is added to chapter 43.19 RCW to read as follows:
(1) 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.

(2) Except for cars owned or operated by the Washington state patrol, when tires on vehicles in the state's motor vehicle fleet are replaced, they must be replaced with tires that have the same or better rolling resistance as the original tires.

(3) The governor shall report to the legislature at the beginning of each biennium until January 1, 2020, on progress towards meeting the goals in this section and any barriers to achieving the goals.

NEW SECTION. Sec. 303. A new section is added to chapter 43.01 RCW to read as follows:

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.

NEW SECTION. Sec. 304. A new section is added to chapter 43.19 RCW to read as follows:

(1) In order to allow the motor vehicle fuel needs of state and local government to be satisfied by Washington-produced biofuels, the department of general administration shall contract in advance and execute contracts with public or private producers, suppliers, or other parties, for the purchase of biofuels, including but not limited to biodiesel, ethanol, and ethanol blend fuels that are made from recycled products or Washington feedstocks. Contract provisions may address items including, but not limited to, fuel standards, price, and delivery date.

(2) The department of general administration may combine the needs of local government agencies, including ports, special districts, school districts, and municipal corporations, for the purposes of executing biodiesel, ethanol, and ethanol blend fuels contracts and to secure a sufficient and stable supply of alternative fuels.
RCW 43.19.642 and 2006 c 338 s 10 are each amended to read as follows:

(1) All state agencies are encouraged to use a fuel blend of twenty percent biodiesel and eighty percent petroleum diesel for use in diesel-powered vehicles and equipment.

(2) Effective June 1, 2006, for agencies complying with the ultra-low sulfur diesel mandate of the United States environmental protection agency for on-highway diesel fuel, agencies shall use biodiesel as an additive to ultra-low sulfur diesel for lubricity, provided that the use of a lubricity additive is warranted and that the use of biodiesel is comparable in performance and cost with other available lubricity additives. The amount of biodiesel added to the ultra-low sulfur diesel fuel shall be not less than two percent.

(3) Effective June 1, 2009, state agencies are required to use a minimum of twenty percent biodiesel as compared to total volume of all diesel purchases made by the agencies for the operation of the agencies' diesel-powered vessels, vehicles, and construction equipment.

(4)(a) Effective June 1, 2015, all state agencies and local government subdivisions of the state, to the extent determined practicable by the clean energy coordinator created in section 306 of this act, are required to satisfy one hundred percent of their fuel needs for operating publicly owned vessels, vehicles, and construction equipment from biofuel certified by the clean energy coordinator.

(b) If, on or after June 1, 2015, the clean energy coordinator finds that it is not practicable for all units of state and local government to satisfy their complete fuel needs from biofuel, the clean energy coordinator may determine the minimum percentage of biofuel that must be included in a state or local agency's purchasing, the date of compliance with the one hundred percent biofuel mandate, and any other conditions on an agency's fuel purchasing schedule deemed necessary by the clean energy coordinator for the successful satisfaction of the one hundred percent biofuel mandate.

(5) All state agencies using biodiesel fuel shall, beginning on July 1, 2006, file quarterly reports with the department of general administration documenting the use of the fuel and a description of how any problems encountered were resolved.
NEW SECTION. Sec. 306. A new section is added to chapter 43.41 RCW to read as follows:

(1) The position of the clean energy coordinator is created within the office of financial management.

(2) The clean energy coordinator is responsible for:

(a) Inventorying and coordinating all state efforts to develop, encourage, or mandate a biofuels market in Washington;

(b) Developing, coordinating, and overseeing the implementation of a plan, or series of plans, for the development of a complete supply chain that allows for the production, transport, distribution, and delivery to public sector end users of biofuels produced exclusively from recycled products or Washington feedstocks;

(c) Certifying that biofuels produced for use by state and local government in Washington is produced exclusively from recycled products or Washington feedstocks;

(d) Judging the practicability of the one hundred percent biofuels mandate in RCW 43.19.642; and

(e) Working with the departments of transportation and general administration, or other applicable state and local governmental entities, to develop biofuel fueling stations for use by state and local motor vehicle fleets.

PART 4
VEHICLE ELECTRIFICATION WORK GROUP

NEW SECTION. Sec. 401. (1) The legislature finds that it is in the state's interest and to the benefit of the people of the state to encourage the use of electrical vehicle technology that will reduce fossil fuel dependence and toxic air pollution. Displacing petroleum with electricity will keep more energy expenditures and jobs in Washington's economy instead of being lost to fossil fuel imports.

(2) Motor vehicles produce more than half of the global warming pollution in the state of Washington. Reducing the use of fossil fuels through alternatives such as electrification is one of the most practical, beneficial climate solutions available to the state and its citizens.

(3) The legislature finds that cleaner fuels and vehicles,
including vehicles that use electricity, can help the state achieve
better public health, increased energy security, and substantial
economic benefits.

NEW SECTION. Sec. 402. (1) The vehicle electrification work group
is established. Members of the group must be appointed by the governor
or the governor's designee and must include representatives of state
and local government agencies, ports, private and public electrical
power utilities, automobile manufacturers, trucking industry interests,
environmental interests, regional air quality agencies, and other
stakeholder groups. Staff for the work group must be provided by the
department of community, trade, and economic development, with
additional staff to be provided by other state agencies, as may be
required or requested.

(2) The vehicle electrification work group shall review, study,
evaluate, and make recommendations on at least the following items:
(a) Use by the state of plug-in hybrid vehicles and developing
plug-in availability at state locations;
(b) Incentives to encourage the use of plug-in truck auxiliary
power units and truck stop electrification;
(c) Use of plug-in shore power for cargo and cruise ship terminals,
shipside technology, and use of electric power alternatives for port-
related operations and equipment such as switching locomotives, vessels
and harborcraft, and cargo-handling equipment;
(d) Potential uses for and availability of plug-in hybrid school
buses;
(e) Potential environmental and electrical grid impacts on
electrical power consumption of the conversion of a meaningful portion
of the state's private and public fleet to plug-in electrical power;
(f) Tax and fee incentives to encourage individual and fleet
purchases of plug-in hybrid vehicles;
(g) State laws, rules, tariffs, and policies that impact
transportation electrification and plug-in adoption, including pricing
with incentives for off-peak charging;
(h) Measures to encourage the use of plug-in vehicles by public
fleets, and resulting cost savings, and whether state and local fleets
should be required to purchase plug-in hybrid vehicles if it is
determined that plug-in hybrid vehicles are commercially available at a reasonably comparable life-cycle cost;

(i) Explore the potential for the use of electrification of fixed transit routes for magnetic levitation propulsion systems;

(j) Actions by the state to help industries located in the state participate in developing and manufacturing plug-in vehicles and vehicle-to-grid technologies;

(k) Additional ways the state can promote transportation electrification in the private and public sectors, including cars and light-duty vehicles, and truck stop and port electrification; and

(l) Potential partners for vehicle-to-grid pilot projects that test the use of parked plug-in vehicles for power grid energy storage and support.

(3) The vehicle electrification work group must complete its work by December 1, 2008. The work group must submit an interim report to the governor stating its findings, conclusions, and interim recommendations by December 1, 2007. The group must submit a final report to the governor stating its findings, conclusions, and final recommendations by December 1, 2008.

(4) This section expires July 31, 2009.

NEW SECTION. Sec. 403. The sum of five hundred thousand dollars, or as much thereof as may be necessary, is appropriated 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.

PART 5

PLANNING FOR THE FUTURE

NEW SECTION. Sec. 501. (1) The legislature finds that climate change is expected to have significant impacts in the Pacific Northwest region in the near and long-term future. These impacts include, among other things, increased temperatures, declining snowpack, more frequent heavy rainfall and flooding, receding glaciers, rising sea levels,
increased risks to public health due to insect and rodent-borne diseases, declining salmon populations, and increased drought and risk of forest fires.

(2) The legislature recognizes the need at this time to continue to gather and analyze information related to climate protection. This will allow prudent steps to be taken to avoid, mitigate, or respond to climate impacts and protect our communities.

(3) The analysis of the health impacts of climate protection is needed to help prepare the state for and avoid health impacts such as West Nile virus and respiratory disease. At the same time, this analysis will contribute to our strategic thinking and planning for the impacts of climate change.

(4) The legislature finds that it is important for the state of Washington to participate in emerging regional, national, and international markets to mitigate climate change. The state has a strong interest in ensuring that climate policies and emission markets are designed to appropriately recognize our unique energy assets. Further, the legislature recognizes that any market system related to climate protection must be based on credible and durable accounting principles and have equally applicable rules across sectors in order to promote economically and environmentally effective trading.

NEW SECTION. Sec. 502. The sum of two hundred fifty thousand dollars, or as much thereof as may be necessary, is appropriated for the biennium ending June 30, 2009, from the clean energy incentive account created in section 601 of 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.

NEW SECTION. Sec. 503. (1) The sum of five hundred thousand dollars, or as much thereof as may be necessary, is appropriated 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 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. This framework must include, but not be limited to, credible, verifiable, replicable inventory and accounting methodologies for each sector involved.

(2) The department of community, trade, and economic development shall work closely with the department of natural resources on any elements of this section's administration that studies or makes recommendations on the role and opportunities of the forest sector.

PART 6

CLEAN ENERGY INCENTIVE ACCOUNT

NEW SECTION. Sec. 601. A new section is added to chapter 43.31 RCW to read as follows:

(1) The clean energy incentive account is created in the state treasury. All receipts from appropriations made to the account must be deposited into the account. Moneys in the account may be spent only after appropriation. Expenditures from the account may be used only for the purposes of this act.

(2) Any state agency receiving funding from the clean energy incentive account is prohibited from retaining greater than three percent of any funding provided from the clean energy incentive account for administrative overhead or other deductions not directly associated with conducting the research, projects, or other end products that the funding is designed to produce.

(3) Any university, institute, or other entity that is not a state agency receiving funding from the clean energy incentive account is prohibited from retaining greater than three percent of any funding provided from the clean energy incentive account for administrative overhead or other deductions not directly associated with conducting the research, projects, or other end products that the funding is designed to produce.

NEW SECTION. Sec. 602. A new section is added to chapter 43.135 RCW to read as follows:

RCW 43.135.035(4) does not apply to the transfers established in this act.
NEW SECTION. Sec. 603. A new section is added to chapter 43.19 RCW to read as follows:

The department of general administration, in conjunction with private sector suppliers, shall 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.

NEW SECTION. Sec. 604. The sum of five hundred thousand dollars, or as much thereof as may be necessary, is appropriated for the biennium ending June 30, 2009, from the clean energy incentive account created in section 601 of this act to the office of financial management to be provided to the clean energy coordinator created in section 306 of this act and for the purpose of providing greater access to public sector fueling capacity for biofuels.

NEW SECTION. Sec. 605. A new section is added to chapter 28B.30 RCW to read as follows:

The Washington State University energy program is directed to analyze and recommend models for possible implementation by the legislature or the executive office for at least the following potential biofuels incentive programs:

(1) Market incentives to encourage instate production of brassica-based biodiesel, and cellulosic ethanol, including such market methods as direct grants, production tax credits, and the issuance by the state of advance guaranteed purchase contracts;

(2) Possible preferred research programs, grants, or other forms of assistance for accelerating the development of instate production of cellulosic ethanol and in-state biodiesel crops and their coproducts;

(3) Coordinate with the Western Washington University alternative automobile program for opportunities to support new Washington state technology for conversion of fossil fuel fleets to biofuel, hybrid, or alternative fuel propulsion;

(4) Coordinate with the University of Washington's college of forest management and the Olympic natural resources center for the identification of barriers to using the state's forest resources for fuel production, including the economic and transportation barriers of physically bringing forest biomass to the market;
(5) Coordinate with the department of agriculture for the identification of other barriers for future biofuels development; and
(6) Strategies for furthering the penetration of the Washington state fossil fuel market with Washington produced biofuels, particularly among public entities.

NEW SECTION. Sec. 606. The sum of six million seven hundred fifty thousand dollars, or as much thereof as may be necessary, is appropriated for the biennium ending June 30, 2009, from the clean energy incentive account created in section 601 of this act to Washington State University for the purposes of section 605 of this act and for qualifying for potential federal matching funds for research on biofuels.

NEW SECTION. Sec. 607. The sum of two million one hundred thousand dollars, or as much thereof as may be necessary, is appropriated for the biennium ending June 30, 2009, from the clean energy incentive account created in section 601 of 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.

NEW SECTION. Sec. 608. A new section is added to chapter 43.31 RCW to read as follows:
The following goals and criteria should be considered in evaluating potential biofuel incentives to be offered by the clean energy incentive account created in section 601 of this act: To assist Washington farmers and businesses in the development of economically viable, sustained instate biofuel and biofuel feedstock production; to leverage and encourage private investment in biofuel and biofuel feedstock production; and to assist in the development of biofuel feedstocks and production techniques that deliver the greatest net reductions in petroleum dependence and carbon emissions.

PART 7
MISCELLANEOUS
NEW SECTION. Sec. 701. Part headings used in this act are not any part of the law.

NEW SECTION. Sec. 702. The office of the superintendent of public instruction may adopt any rules necessary for the implementation of this act.

NEW SECTION. Sec. 703. Sections 104 and 105 of this act take effect August 1, 2007.

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