Key Facts About Initiative 1631

I-1631 Imposes a New $2.3 Billion Energy Tax on Washington Consumers – Increasing Each Year With No Set Cap

Washington Initiative 1631 on the November 2018 statewide ballot would impose a new escalating fee of 15 dollars per metric ton on certain carbon emissions within the state. The measure would also create a new unelected public board to disburse revenues collected under the measure for a poorly defined variety of projects, providing little likelihood or assurances that it would significantly reduce greenhouse gases.

This so-called "pollution fee" would apply to certain "large emitters" based on the carbon content of fossil fuels and electricity.[1] Beginning January 1, 2020, the tax would be set at $15 per metric ton and would increase each year by an additional $2 per metric ton, plus inflation. The fee would more than quadruple to $66.48 by 2035.[2] These annual increases would continue indefinitely with no set cap.[3]

I-1631 Would Cost Consumers and Small Businesses Billions

The Washington State Office of Financial Management estimates I-1631 would cost consumers and businesses at least $2.3 billion in the first five fiscal years alone.[4] I-1631 would essentially be a new tax on energy costs that would be paid by Washington consumers, families, small businesses and farmers in the form of higher prices for fuel, electricity, heating and natural gas as well as higher transportation costs.

I-1631 is Filled With Exemptions That Make No Sense

Although it is being promoted as a fee on "large polluters," I-1631 would actually exempt many of the state's largest carbon emitters. In fact, eight out of the top twelve carbon emitters in the state, including a huge coal-fired power plant, would be exempt under I-1631. Other exemptions include aluminum smelters, aircraft manufacturers, pulp and paper mills, iron and steel companies, chemical manufacturers and other large corporations from 23 different industrial sectors.[5]

As a result of I-1631's broad exclusions and exemptions, a significant portion of Washington's total carbon emissions would be exempt from I-1631's new tax, making it ineffective and leaving the cost burden of the new tax to fall unfairly on Washington families, small businesses and consumers in the form of higher energy and transportation prices. Essentially, many of our state's largest corporations would be protected – but Washington families and small businesses would pay billions.

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1. Initiative Measure No. 1631, Section 8 (a) (b), Page 21.
2. Inflation is defined in I-1631 as the consumer price index for all wage earners and clerical workers for the United States (CPI-U). The $66.48 tax in 2035 was calculated based on a forecast of CPI-U from the U.S. Energy Information Administration released as part of its Annual Energy Outlook 2018.
3. Fiscal Impact Summary of I-1631, Washington Office of Fiscal Management, Revised August 24, 2018, Pages 1-2.
4. Fiscal Impact Summary of I-1631, Washington Office of Fiscal Management, Revised August 24, 2018, Page 1.
5. Initiative Measure No. 1631, Section 9 (1) (e), Page 23. Washington Mandatory Greenhouse Gas Reporting Program, Reported Emissions for 2016, Washington State Department of Ecology.

I-1631 Would Increase Gasoline Prices for Consumers at the Pump

Independent estimates show that I-1631 would increase gasoline prices by up to 14 cents per gallon[6] in the first year, with automatic annual increases thereafter, and no set cap on how high these increases could go.Washington already has the third highest gasoline prices in nation and 1631 would automatically increase our gas prices every year indefinitely.[7]

A Regressive Tax That Would Unfairly Hurt Washington Families

I-1631 would also increase the costs Washington families would pay for natural gas, heating fuel and electricity. Combined with increased gasoline prices, initial estimates show that I-1631 would cost the average Washington household as much as $305 more per year to start[8], with cost increases rising every year. Cost increases like these are regressive in nature and would disproportionately impact lower and middle-income families, seniors and others on fixed incomes – especially hurting those who can least afford to pay more.

Unfair Impacts on Local Small Businesses

While many large manufacturers, transportation systems and some power plant emitters would be exempt from I-1631's new taxes, small businesses across the state would have to pay more for higher electricity, fuel and natural gas with price increases that would continue to rise indefinitely. I-1631's exemptions would place an unfair burden on small and medium-sized businesses, farmers and small manufacturers that don't qualify for special exclusions. Not only would they pay higher energy costs, but non-exempt businesses would also pay more for transportation costs, leading to higher operating costs and higher consumer prices, making it harder for Washington small businesses to compete with out-of-state companies.

Billions Would be Spent by a New Bureaucracy with No Real Accountability

I-1631 would create a new unelected board to oversee spending of the billions in new revenues that would be collected under its new tax plan. I-1631 provides no real accountability or legislative oversight for the multiple "panels" and unelected board of political appointees that would be in charge of spending funds and making grants to special projects that would be funded under the measure.[9]

I-1631's new bureaucracy would involve expenditures by 14 separate state agencies, costing an estimated $27 million in the first five years.[10] The new unelected board and three new "investment panels" would have broad authority to disperse billions with little legislative oversight, and no requirement to ensure that I-1631's funds would be used for projects that would directly reduce greenhouse gas (GHG) emissions. The board and multiple appointed panels simply would have authority to approve any expenditure they deem critical to achieving the multiple and vaguely stated purposes of I-1631.

Uncertain Spending Guidelines, No Specific Plan, Little Likelihood of Significantly Reducing Greenhouse Gases

I-1631's deeply flawed approach to climate policy exempts our state's largest polluters, imposes a permanently escalating tax on Washington families and consumers, and disproportionately burdens those who can least afford it. I-1631 provides no clear guidelines or accountability for how its unelected board of political appointees would spend billions in taxpayer dollars, and no assurances or likelihood of significantly reducing greenhouse gases.

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[6] Based on an initial tax of $15/ton CO2 and the carbon content of motor fuels from U.S. Energy Information Administration which includes 18.9 pounds of CO2/gallon for gasoline and 22.4 pounds of CO2/gallon for diesel. Also as reported by *The Seattle Times* article, "Fight heats up over Washington state carbon "fee" likely to make fall ballot," July 2, 2018.

[7] AAA, State Gasoline Price Averages, June 30, 2018.

[8] Citizens' Guide to Initiative 1631, Washington Policy Center, September 2018

[9] Initiative Measure No. 1631, Sections 10 and 11, Pages 24-31.

[10] Fiscal Impact Summary of I-1631, Washington Office of Fiscal Management, Revised August 24, 2018.