Summary

If approved by voters, Initiative 2117 will reduce state revenue from carbon allowance auctions by $3.8 billion and reduce state expenditures by $1.7 billion between the effective date of the initiative and June 30, 2029. This would reduce or eliminate funding for numerous programs and projects, including for: transportation emissions reduction; transit, pedestrian safety; ferry and other transportation electrification; air quality improvement; renewable and clean energy; grid modernization and building decarbonization; increasing the climate resilience of the state's waters, forests and other ecosystems; fire prevention and forest health; and restoring and improving salmon habitat. Local government fiscal impacts are indeterminate.

General assumptions

- The effective date of the initiative is December 5, 2024.
- The carbon allowance auction scheduled to take place on December 4, 2024, will not occur, as the auction certification and financial settlement process would extend past the day the initiative takes effect.
- 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 impact

Summary

Initiative 2117 would repeal the law that requires the Department of Ecology (ECY) to hold carbon allowance auctions, called the Climate Commitment Act; therefore, the state would no longer collect revenue from those auctions. The Climate Commitment Act also established a secondary market for private parties to trade allowances and offset credits; therefore, the state would no longer collect revenue from the business and occupation (B&O) tax assessed on certain secondary market transactions.

The Climate Commitment Act carbon allowance auctions began in February 2023 and have generated $2.15 billion in revenue between then and the auction of June 5, 2024. Under the initiative, the last auction would take place on September 4, 2024. The three remaining auctions scheduled in state fiscal year 2025 would be canceled. For state fiscal years 2025 through 2029, the projected reduction in revenue is $3.9 billion from the canceled auctions ($3.8 billion) and a loss of B&O tax collection ($40 million). Auction revenue projections are calculated using ECY's June revenue forecast.

PROJECTED REVENUE IMPACT TO WASHINGTON STATE

Account	SFY 2025	SFY 2026	SFY 2027	SFY 2028	SFY 2029
Carbon Emissions Reduction Account	($672,271,000)	($71,823,000)	($71,823,000)	($71,823,000)	($71,823,000)

Climate Transit Programs Account	$0	($201,106,000)	($201,106,000)	($201,106,000)	($201,106,000)
Climate Active Transportation Account	$0	($86,188,000)	($86,188,000)	($86,188,000)	($86,188,000)
Climate Investment Account, portions of which are distributed to the Climate Commitment Account and Natural Climate Solutions Account	($79,285,000)	($472,765,000)	($422,789,000)	($402,426,000)	($301,837,000)
Air Quality and Health Disparities Improvement Account	($2,500,000)	($10,000,000)	($10,000,000)	($10,000,000)	($10,000,000)
General Fund-State	($3,400,000)	($7,100,000)	($7,400,000	($7,800,000)	($8,100,000)
Workforce Education Investment Account	($600,000)	($1,200,000)	($1,200,000)	($1,300,000)	($1,400,000)
Total	**($758,056,000)**	**($850,182,000)**	**($800,566,000)**	**($780,643,000)**	**($680,514,000)**

Revenue impact and fund balance transfers in state fiscal year 2025

The projected revenue loss would be $758.1 million in state fiscal year 2025. Three of the four annual carbon allowance auctions would not take place and allowance sales generating B&O taxes would end.

The initiative eliminates five accounts created under the Climate Commitment Act. If the initiative is approved, the remaining funds in those five accounts will be transferred to two new accounts: (1) Transportation Carbon Emissions Reduction Account and (2) Consolidated Climate Account (ESHB 2134, Section 614, Chapter 310, Laws of 2024 and ESSB 5950, Section 907, Chapter 376, Laws of 2024).

The Climate Commitment Act and the state operating and transportation budgets direct the distribution of carbon allowance auction revenues and make various transfers between the five Climate Commitment Act accounts and other transportation accounts. Under the initiative, there would not be sufficient revenue to make all the required revenue distributions and budget transfers. These transfers are prioritized as follows: (1) statutory distributions and (2) date of fund transfers specified in the 2023–25 operating and transportation budgets.

An estimated $1 million to $300 million would be transferred into the Transportation Carbon Emissions Reduction Account, and $700 million to $900 million would be transferred into the Consolidated Climate Account. These amounts would be available to spend through June 30, 2025.

The exact amount of funding that would transfer into the two new accounts is unknown, because the amounts will be based on: actual agency spending through December 5, 2024; revenue collected from the auction scheduled on September 4, 2024; and implementation of the various fund transfers.

Other revenue impacts

Beginning in state fiscal year 2025, Business and Occupation (B&O) and Public Utility taxes would not be collected on the purchase, sale or trading of carbon allowances and offset credits by general market participants, resulting in lower state revenue.

Currently, general market participants are not required to purchase allowances, have not voluntarily assumed a compliance obligation by opting into the program, and are not eligible to receive allowances from the state at no cost. General market participants must pay B&O tax or public utility tax on these transactions. These participants may include investment banks, hedge funds, trading firms, and companies that want to invest in offset projects. B&O taxes are credited to the state General Fund, which funds various government agencies and activities, and to the Workforce Education Investment Account, which funds educational and training programs. For estimating purposes, the decrease in public utility taxes collected has a minimal impact. All impacts are shown under the B&O tax.

State expenditure impact

Summary

Thirty-seven state agencies have spending authority from Climate Commitment Act funds in the current biennium for programs, projects, and as grants for local governments, community groups, school districts and Tribes. Initiative 2117 would eliminate the revenue source that pays for these programs. The remaining funds already collected would transfer to the Transportation Carbon Emissions Reduction Account and to the Consolidated Climate Account. The 2024 supplemental transportation, operating and capital budgets identify which programs and projects would and would not be eligible for this funding if the initiative passes. Spending authority of $1.7 billion in state fiscal year 2025 would no longer exist because the budget appropriations would be eliminated along with repeal of the accounts.

Spending authority of $230.4 million would be available in the Transportation Climate Emissions Reduction Account and spending authority of $653.8 million would be available in the Consolidated Climate Account. It is assumed that funding transferred to the new accounts would continue to be spent through the end of the current state fiscal year or until revenues are exhausted.

A net total of approximately $2.6 billion of spending authority in state fiscal years 2025–2029 would no longer be available under the initiative to operate programs and pay for grants from the state operating, capital and transportation budgets.

Additionally, the transportation spending plan approved by the Legislature assumes $1 billion would be available in state fiscal years 2026–2029 for projects to improve transit, electrify ferries, advance ultrahigh-speed rail and for initiatives to improve pedestrian safety. This money would no longer be available.

Currently, Climate Commitment Act auction revenue is spent from multiple accounts with different purposes.

<u>Carbon Emissions Reduction Account</u>

- The Carbon Emissions Reduction Account receives the first deposit of revenue, in an amount specified in law, and must be used to reduce carbon emissions from the transportation sector, such as projects to reduce single-occupancy passenger vehicle miles driven; for alternative fuel infrastructure and incentive programs; emission reduction programs for freight transportation; and for ferries and other maritime and port activities.

- Seven state agencies have spending authority from the account in the current biennium, which includes funding for the equivalent of more than three full-time staff. Agencies would lose authority to spend $205.2 million this biennium, and $230.4 million in spending authority would be transferred to the Transportation Carbon Emissions Reduction Account.
- Two accounts receive funding solely from the Climate Emissions Reduction Account: Climate Active Transportation Account (CATA) and Climate Transit Programs Account (CTPA). These accounts would not be eliminated by the initiative; however, the initiative would eliminate the only revenue source for these accounts.
- Funding provided through CATA and CTPA could still be spent through the end of the biennium, June 30, 2025. This funding pays for grant programs such as Safe Routes to Schools, Tribal transit, active transportation local projects and support to transit agencies and other providers serving people with disabilities, seniors, children and people living in rural areas.

<u>Climate Investment Account</u>

- Revenue from the auctions is deposited into the Climate Investment Account after the required distribution to the Carbon Emissions Reduction Account and can be used for administering the Climate Commitment Act, tracking spending and reporting, and Tribal capacity grants.
- Seven state agencies have spending authority from the account in the current biennium, which includes funding for the equivalent of nearly 116 full-time staff.
- Agencies would lose authority to spend $12.2 million through the rest of the biennium, and $23.1 million in spending authority would be transferred to the Consolidated Climate Account. However, a significant portion of that funding is for activities required by the Climate Commitment Act, and under the initiative, these activities would stop.
- After reserving an amount for administration of the Climate Commitment Act, funds in the Climate Investment Account are distributed to the Climate Commitment Account and the Natural Climate Solutions Account.

<u>Climate Commitment Account</u>

- The Climate Commitment Account can be used for development of renewable and clean energy, grid modernization, building decarbonization, industrial efficiency, low-income and worker assistance, climate change mitigation for Tribes, Growth Management Act planning, and the Working Families Tax credit.
- Thirty state agencies have spending authority from the account in the current biennium, which includes funding for the equivalent of nearly 136 full-time staff. Agencies would lose authority to spend $419.7 million through the rest of this biennium, and $476.5 million in spending authority would be transferred to the Consolidated Climate Account.

<u>Natural Climate Solutions Account</u>

- The Natural Climate Solutions Account can be used to pay for programs and projects that increase the resilience of the state's waters, forests and other ecosystems to the impacts of climate change; conserve forestlands; and increase natural climate carbon-pollution-reduction capacity.
- Twelve state agencies have spending authority from the account in the current biennium, which includes funding for the equivalent of more than 58 full-time staff. Agencies would lose authority

to spend $147.3 million through the rest of the biennium, and $134.9 million in spending authority would be transferred to the Consolidated Climate Account.

Air Quality and Health Disparities Investment Account

- The Air Quality and Health Disparities Investment Account can be used to pay for projects that monitor and improve air quality and reduce health disparities in overburdened communities.
- The account receives auction revenue after the required distribution to the Carbon Emissions Reduction Account. Statute does not specify the amount; however, the Legislature has stated its intention that not less than $20 million each biennium should be transferred to the account.
- The ECY currently has a total of $21.8 million in spending authority from the account, which includes funding for the equivalent of nearly five full-time staff.
- Under the initiative $19.3 million in spending authority would be transferred to the Consolidated Climate Account.

PROJECTED SPENDING IMPACT TO WASHINGTON STATE:

Account	SFY 2025	SFY 2026	SFY 2027	SFY 2028	SFY 2029
Carbon Emissions Reduction Account	($435,594,125)	($1,387,000)	($1,387,000)	($1,387,000)	($1,387,000)
Transportation Carbon Emissions Reduction Account	$230,354,125	$0	$0	$0	$0
Climate Active Transportation Account	($0)	($9,533,500)	($9,533,500)	($9,533,500)	($9,533,500)
Climate Transit Programs Account	($0)	($179,850,000)	($179,850,000)	($179,850,000)	($179,850,000)
Climate Investment Account	($35,256,884)	($35,443,000)	($35,443,000)	($35,094,000)	($35,094,000)
Climate Commitment Account	($896,196,884)	($102,620,000)	($97,523,000)	($66,026,000)	($64,389,000)
Natural Climate Solutions Account	($282,251,136)	($25,392,000)	($27,953,000)	($22,956,000)	($25,853,000)
Air Quality and Health Disparities Investment Account	($19,333,611)	$0	$0	$0	$0
Consolidated Climate Account	$653,797,443	$0	$0	$0	$0
General Fund-State	($6,349,000)	($6,152,000)	($6,364,000)	($7,500,000)	($7,700,000)
General Fund-Federal	($45,000,000)	($70,000,000)	($70,000,000)	($70,000,000)	($236,700,000)
Total	**($835,829,954)**	**($430,377,000)**	**($428,053,500)**	**($392,346,500)**	**($590,506,500)**

Carbon Emissions Reduction Account

IMPACT ON THE CARBON EMISSIONS REDUCTION ACCOUNT IN THE CURRENT BIENNIUM:

Agency	Spending authority eliminated	Spending authority transferred to the Transportation Carbon Emissions Reduction Account

Department of Commerce	($5,000,000)	$0
Department of Ecology	($4,000,000)	$0
Department of Enterprise Services	($13,500,000)	$0
Department of Natural Resources	$0	$671,724
Joint Transportation Committee	($477,000)	$2,243,091
Washington State Department of Transportation	($182,263,000)	$227,439,310
Washington State Parks & Recreation Commission	$0	$0
Total	**($205,240,000)**	**$230,354,125**

Significant activities that would be eliminated in SFY 2025 under the initiative:

- Construction of hybrid-electric ferries and ferry terminal electrification – $42 million, Washington State Department of Transportation (WSDOT)
- Public-private partnerships, including funding added in 2024 for zero-emission vehicle and infrastructure grant programs for commercial vehicles, fire engines and utility service vehicles; local projects to improve safe routes to schools; and pedestrian and bicycle safety – $40.9 million, WSDOT
- Rail projects, including Puyallup Tribe and Anacortes port electrification – $35.5 million, WSDOT
- Local capital projects, including funding to complete the Guemes Island ferry replacement – $32.9 million, WSDOT
- Public bus and transit facility projects – $29.9 million, WSDOT
- Zero-emission vehicle supply equipment infrastructure for state agencies – $13.5 million, Department of Enterprise Services (DES)
- Grant funding for electric boats for federally recognized Tribes, Tribal enterprises and Tribal members – $5 million, Department of Commerce (COM)
- Zero-emission student transportation grants – $4 million, ECY
- Transportation planning for the 2026 World Cup – $1 million, WSDOT
- Impact study of implementing emissions standards for ocean-going vessels – $477,000, Joint Transportation Committee

Future impacts from SFY 2026–SFY 2029:

WSDOT would lose anticipated future funding and spending authority for ongoing programs of approximately $2.8 million each biennium, including:

- Free ferry fares for youth,
- Free youth fares on Amtrak, and
- Assistance and education for state agency alternative fuel usage.

Additionally, money would not be available for future transportation projects. The 2024 supplemental budget transportation spending plan, approved by the Legislature and used to develop future budgets, plans on spending $1 billion for various projects. These projects include transit grants to improve safety and mobility near schools, ferry vessel and terminal electrification, Tribal port electrification projects, advancing ultrahigh-speed rail, and initiatives to improve pedestrian safety.

Climate Active Transportation Account and Climate Transit Programs Account

Impact on the Climate Active Transportation and Climate Transit Programs Accounts in the current biennium:

Agency	Spending authority eliminated	Spending authority retained
Transportation Improvement Board	$0	$7,067,000
Washington State Department of Transportation	$0	$322,984,552
Total	**$0**	**$330,051,552**

Significant activities that would be eliminated in SFY 2025 under the initiative:

None

Future impacts from SFY 2026–SFY 2029:

For the purposes of this fiscal impact statement, it is assumed future spending from the accounts will end when the remaining fund balances are exhausted. It's unknown what funding may be available to spend beyond June 30, 2025.

Examples of programs and funding from the current biennium that would no longer have funding include:

- Grants for transit agency operating and capital expenses – $188.9 million, WSDOT, CTPA
- Pedestrian and bicyclist route improvement projects – $82.2 million, WSDOT, CATA
- Grants to sustain and expand transit services to people with disabilities, seniors, children and people living in rural areas – $60.1 million, WSDOT, CTPA
- Connecting Washington public transportation projects – $46.6 million, WSDOT, CTPA
- Grants to increase safe walking and biking routes to schools, including crossing improvements, speed management, sidewalks, bike lanes, shared use paths, streetlights, ADA improvements, education and encouragement activities – $45.4 million, WSDOT, CATA
- Funding to transit agencies for cost-effective capital projects that reduce the carbon intensity of the Washington transportation system – $39.4 million, WSDOT, CTPA
- Grants to support transport vehicles and transit facilities – $38 million, WSDOT, CTPA
- Projects to improve active transportation connectivity for pedestrians along and across current and former state highways in overburdened communities – $25 million, WSDOT, CATA
- Grants through the Complete Streets Program for projects on city streets or county roads that improve or add facilities for pedestrians, bicyclists and transit users to improve safe access – $19.1 million, Transportation Improvement Board, CTPA
- Support for existing and expanded transit services to people with disabilities and the elderly population throughout rural and small urban areas of the state – $18 million, WSDOT, CTPA
- Funding for a School-Based Bicycle Safety Education Program for Washington state public schools; safety and skills training; and education materials including bicycles to school districts, educational service districts and community-based organizations – $16.8 million, WSDOT, CATA

Climate Investment Account

Impact on the Climate Investment Account in the current biennium:

Agency	Spending authority eliminated	Spending authority transferred to the Consolidated Climate Account
Department of Ecology	($12,081,799)	$21,058,099
Department of Health	$0	$489,012
Department of Licensing	$0	$0
Environmental and Land Use Hearings Office	$0	$838,354
Office of Financial Management	($2,370)	$565,450
Recreation and Conservation Office	$0	$116,800
Washington State Conservation Commission	($105,000)	$0
Total	**($12,189,169)**	**$23,067,715**

Significant activities that would be eliminated under the initiative:

- Grants added in 2024 for Tribal capacity to engage and work on climate related projects – $5 million, ECY
- Funding to pursue linking Washington's carbon market with the California/Quebec market – $1.8 million, ECY

Activities that would cease in SFY 2025 under the initiative:

- Implementation of the Climate Commitment Act, including carbon allowance auctions, allocation of no-cost allowances, oversight of the secondary market, regulation of offset projects, tracking emissions reductions produced by expenditures of auction proceeds, and statewide greenhouse gas inventory work – $9.1 million, ECY, Environmental and Land Use Hearings Office
- Development of a data portal and other strategies to improve public understanding of expenditures from Climate Commitment Act accounts – $2.6 million, ECY, Office of Financial Management (OFM)
- Grants to Tribal governments to support developing carbon offset projects – $2 million, ECY
- Setting stricter standards for technology used to limit emissions from stationary emission sources that are the greatest contributors of air pollution in overburdened communities – $1.5 million, ECY
- Expansion of air quality monitoring in overburdened communities highly impacted by air pollution, and estimations of the health impacts associated with the air quality experienced in overburdened communities – $557,476, ECY, Department of Health (DOH)

Future impacts from SFY 2026–SFY 2029:

The ECY and other agencies would lose anticipated future spending authority for ongoing programs of approximately $35 million each biennium to administer the Climate Commitment Act. ECY would lose funding no longer required for administration of the cap-and-invest program. ECY would lose funding to expand the state's air quality monitoring network and improve air quality standards in overburdened communities highly impacted by air pollution.

The ECY would also lose $31.5 million per biennium for grants to Tribes to increase capacity to engage and work on climate-related projects and for carbon offset project development and $3.8 million to make improvements to Washington's inventory of greenhouse gas emissions.

Climate Commitment Account

IMPACT ON THE CLIMATE COMMITMENT ACCOUNT IN THE CURRENT BIENNIUM:

Agency	Spending authority eliminated	Spending authority transferred to the Consolidated Climate Account
Central Washington University	($16,973,000)	$1,300,473
Columbia River Gorge Commission	$0	$70,250
Department of Architectural and Historic Preservation	$0	$506,755
Department of Children, Youth and Families	$0	$3,199,000
Department of Commerce	($269,919,794)	$303,908,217
Department of Corrections	($600,000)	$1,600,000
Department of Ecology	($9,792,103)	$17,917,345
Department of Enterprise Services	($1,617,575)	$0
Department of Health	$120,000	$79,236,333
Department of Labor & Industries	$0	$3,463,669
Department of Natural Resources	($862,000)	$5,423,409
Department of Revenue	$0	$281,500
Department of Social and Health Services	($9,958,915)	$0
Department of Veteran's Affairs	$0	$200,000
Energy Facility Site Evaluation Council	($68,000)	$4,561,612
Employment Security Department	$0	$329,837
Eastern Washington University	($9,998,000)	$50,000
Governor's Office of Indian Affairs	$0	$495,218
Office of Financial Management	($875,000)	$3,240,284
Office of the Superintendent of Public Instruction	($30,000,000)	$7,525,000
The Evergreen State College	$0	$0
University of Washington	($39,053,000)	$9,055,869
Washington State Board of Community & Technical Colleges	($2,475,000)	$5,781,000
Washington State Conservation Commission	($3,048,483)	$22,400,000
Washington State Department of Agriculture	($3,407,000)	$2,553,592
Washington State Department of Fish & Wildlife	$0	$1,056,113
Washington State Parks & Recreation Commission	($950,000)	$1,462,443
Washington State University	($13,000,000)	$352,823
Western Washington University	($7,000,000)	$0
Workforce Training Board	$0	$508,273
Total	**($419,717,870)**	**$476,479,014**

Significant activities in SFY 2025 that would be eliminated under the initiative:

- Funding to support energy efficiency and decarbonization improvements in multifamily and commercial properties – $100 million, COM
- Projects and technology to reduce greenhouse gas emissions in local communities, especially in overburdened communities – $74.1 million, COM

- Energy renewal projects across the University of Washington's (UW) campuses and hospital system – $38.9 million, UW
- Grants to K–12 schools for indoor air quality assessment and air filtration systems – $30 million, Office of the Superintendent of Public Instruction (OSPI)
- Matching funds to support participation in a federal Department of Energy loan program for large-scale energy development – $25 million, COM
- Grants to grow Washington's clean energy manufacturing economy – $21.5 million, COM
- Grants to improve the state's progress towards greenhouse gas emissions reduction goals in hard-to-decarbonize industries – $13 million, COM
- Expansion of Central Washington University's (CWU) geothermal energy production – $12.5 million, CWU
- Design and construction of a dairy digester to produce renewable energy and compost from manure sources, post-consumer food and compostable wastes – $10 million, Washington State University (WSU)
- Sports and Recreation Center energy efficiency improvements – $10 million, Eastern Washington University
- Funding to support local governments to implement greenhouse gas reduction plans – $10 million, COM
- Support for Lummi Indian Business Council clean energy projects – $7.6 million, COM
- Replacement of Western Washington University's (WWU) steam plant with a mostly electric and water-based heating system – $7 million, WWU
- Providing equipment to residential, recreational or educational facilities to improve air quality in King County – $6 million, ECY
- Replacement of windows at the Yakima Valley School to increase energy efficiency – $5.1 million, Department of Social and Health Services (DSHS)
- Grants to support non-emitting thermal energy networks – $5 million, COM
- Grant funding to reduce food waste and support hunger relief and food assistance needs – $4.8 million, ECY, Washington State Department of Agriculture (WSDA)
- Improved energy efficiency of the CWU Science Building – $4.5 million, CWU
- Grants to assist community-based organizations, local governments, Tribes and other eligible entities to write, administer federal grants and track grant opportunities – $3.6 million, COM
- Funding to help consumers find and take advantage of the home energy improvement funding - $3.5 million, COM
- Funding to offer education, planning, technical assistance, and community engagement to enable clean energy access - $3 million, COM
- Conducting building energy efficiency assessments – $3 million, DSHS
- Funding to reduce greenhouse gas emissions associated with manure-handling systems at dairy and livestock farms – $3 million, Washington State Conservation Commission (SCC)
- Funding to advance campus decarbonization – $3 million, WSU
- Assistance for community-based organizations, local governments, Tribes and other entities to access federal clean-energy tax incentives – $2.9 million, COM
- Grants to increase the reuse of industrial waste products – $2.1 million, COM

- Grants to improve the energy efficiency of buildings at community and technical colleges – $2 million, State Board of Community and Technical Colleges

Future Impacts from SFY 2026–SFY 2029:

Sixteen state agencies would lose anticipated future spending authority for ongoing programs of approximately $200 million in state fiscal years 2026–2027 and $130 million in state fiscal years 2028–2029 for multiple activities including clean energy development, environmental justice work and climate adaptation planning.

Natural Climate Solutions Account

Impact on the Natural Climate Solutions Account in the current biennium:

Agency	**Spending authority eliminated**	**Spending authority transferred to the Consolidated Climate Account**
Department of Commerce	($7,975,000)	$2,600,546
Department of Ecology	($2,079,963)	$21,451,072
Department of Enterprise Services	$0	$0
Department of Health	$0	$22,828
Department of Natural Resources	($54,594,358)	$26,464,652
Military Department	$0	$84,022
Recreation and Conservation Office	($72,006,000)	$57,279,700
University of Washington	$0	$486,602
Washington State Conservation Commission	($5,603,713)	$24,331,293
Washington State Department of Agriculture	($5,000,000)	$114,884
Washington State Department of Fish and Wildlife	$0	$1,145,241
Washington State Parks & Recreation Commission	($75,000)	$936,263
Total	**($147,334,034)**	**$134,917,102**

Significant activities in SFY 2025 that would be eliminated under the initiative:

- Forestland and coastal land preservation:
    - Funding for the Quinault Indian Nation to buy forestland – $25 million, Department of Natural Resources (DNR)
    - Funding to purchase forestlands for conservation and protection of endangered species – $15 million, DNR
    - Purchasing properties to place into conservation status – $10.8 million, DNR
    - Grants for coastal restoration and resiliency – $7.9 million, Recreation and Conservation Office (RCO)
    - Algae and other blue carbon sequestration projects – $7 million, COM
    - Grants to support community forests – $5.8 million, RCO
    - Grants to improve carbon storage on agricultural lands – $5 million, WSDA
- Fire prevention and forest health:

    - Funding for forest health treatments to increase resilience to fire – $3 million, DNR
    - Grants to local governments and private landowners for projects to increase forest health and community wildfire resiliency – $2.5 million, SCC
    - Community-based wildfire risk reduction and forest-health activities, such as engagement with landowners, removal of fire hazard materials and brush clearing – $2 million, SCC
- Riparian area and salmon habitat protection:
    - Restoration and protection of salmon habitat – $25 million, RCO
    - Fish passage barrier removal projects – $22.2 million, RCO
    - Estuary and salmon habitat restoration – $11.1 million, RCO

Future impacts from SFY 2026–SFY 2029:

Nine state agencies would lose anticipated future spending authority for ongoing programs of approximately $50 million each biennium to continue work on programs and projects which increase the resilience of the state's waters, forests and other vital ecosystems to the impacts of climate change; conserve forestlands; and increase natural carbon-pollution reduction capacity.

Air Quality and Health Disparities Investment Account

IMPACT ON THE AIR QUALITY AND HEALTH DISPARITIES INVESTMENT ACCOUNT IN THE CURRENT BIENNIUM:

Agency	Spending authority eliminated	Spending authority transferred to the Consolidated Climate Account
Department of Ecology	$0	$19,333,611
Total	**$0**	**$19,333,611**

Activities in SFY 2025 that would be eliminated under the initiative:

- None

Future impacts from SFY 2026–SFY2029:

The account would be eliminated along with $40 million in anticipated future funding for ongoing programs administered by ECY to improve air quality and reduce health disparities in overburdened communities.

Other state agency spending impacts

Compliance costs:

The University of Washington (UW) and Washington State University (WSU) are covered entities under the Climate Commitment Act and are required to purchase or acquire compliance instruments (carbon-emission allowances and offset credits) to account for their covered greenhouse gas emissions. Under the initiative, this requirement would be eliminated. The UW would save an estimated $3.4 million in state fiscal year 2025 and $3.8 million each year in state fiscal years 2026–2029. WSU would save $3.3 million in state fiscal year 2025 and $3.7 million each year in state fiscal years 2026–2029.

Both universities receive state funding to cover a portion of this obligation cost. The remainder must be paid for by other funding sources. The UW currently receives $1,733,000 in State General Fund each state fiscal year to pay for a portion of their obligation. WSU currently receives $1,718,000 in State General Fund each state fiscal year to pay for a portion of their obligation. The 2024 supplemental operating budget provided an additional $4.3 million in state fiscal year 2024 and $2.6 million in state fiscal year 2025 from the State General Fund for WSU to pay for their obligation.

Rulemaking:

Under the initiative, ECY would conduct rulemaking from January 2025 through December 2027 to repeal Climate Commitment Act rules and to amend rules regarding greenhouse gas emission reporting. Estimated costs are $1.2 million from the State General Fund for staff to conduct this rulemaking and for support from the Office of the Attorney General.

Lease costs:

WSU has leased a building in Richland, Washington to house the Institute for Northwest Energy Futures and is paying for this lease with funding from the Climate Commitment Act. WSU is contractually obligated for future expenses through December 1, 2026. Under the initiative, this funding would be eliminated, and WSU would need to find other funds to pay these expenses. The cost is estimated at $810,000 in state fiscal year 2026 and $809,000 in state fiscal year 2027 and would likely be paid for with the State General Fund.

Federal funding:

Several state agencies and local governments use Climate Commitment Act funding as a required match to receive federal funding, and this match funding is often required before applying for federal grants. Under the initiative, these federal grants would be at risk if the Climate Commitment Act funds are not replaced. It is unknown exactly how much federal funding the state or local governments would receive that would be matched with Climate Commitment Act funding in the future. Therefore, the potential impact of the initiative on the amount of federal funds the state and local governments would receive is indeterminate. Some examples are included.

Currently, Transit Formula and Special Needs grant local projects use Climate Commitment Act funding for federal match. The federal amount that would not be funded each fiscal year is approximately $12 million. For rural mobility projects, the amount is approximately $8 million each fiscal year.

The Cascadia High-Speed Rail Program was accepted under the Corridor Identification and Development (CID) Program, which is a long-term federal grant pipeline. Federal funding for the next steps for the High-Speed Rail Program requires state matching funds. The program is currently negotiating with the federal railroad administration for a CID grant award amount. These negotiations assume availability of $25 million of Climate Commitment Act funding in the current biennium for state match – and ability to extend spending, if needed – to align with the reimbursement cycle for the federal grant. Under the initiative, WSDOT would be unable to accept $391.7 million of federal funding in state fiscal years 2025–2029 through the CID Program without alternative funding.

Performance audit:

Under the initiative, the Joint Legislative Audit and Review Committee (JLARC) would not conduct a mandated performance audit of Climate Commitment Act implementation which is required by December 1, 2029. The estimated savings to JLARC is $200,000 from the State General Fund in state fiscal year 2029.

Local government impacts

Grant and award programs

Passage of the initiative would reduce Climate Commitment Act funding provided by state agencies to local governments and K–12 public schools. Currently, cities, counties, K–12 schools and other local entities can receive grants, loan or contract funding from approximately 130 programs across dozens of state agencies. Under the initiative, all these programs would lose funding past June 30, 2025. Between December 5, 2024, and June 30, 2025, approximately 50 programs and $415.7 million would be eliminated. It is unknown which local governments would apply for grants or loans and be awarded funding, or the amounts of such awards that would be eliminated under the initiative.

Significant programs in SFY 2025 that would be eliminated under the initiative:

- Local capital transportation projects, including zero-emission infrastructure; public transportation projects; commercial, fire engine and public utility vehicles and infrastructure; port electrification; and clean energy infrastructure – $119 million, WSDOT
- Projects to reduce greenhouse gas emissions and support planning – $91 million, COM
- Energy efficiency improvements for commercial and multifamily buildings – $45 million, COM
- Salmon and estuary recovery and restoration projects – $37.2 million, RCO, SCC
- School District Indoor Air Quality & Energy Efficiency program – $30 million, OSPI
- Fish passage barrier removal – $23.2 million, COM, RCO
- Forest health, fire prevention and fire wise grant program – $13.2 million, DNR, RCO, SCC
- Coastal lands restoration and resiliency program – $7.9 million, RCO
- King County air quality mitigation – $6 million, ECY
- Food waste reduction grants – $4.8 million, ECY, WSDA
- Zero-emission student transportation grants – $4 million, ECY
- Community forest grant program – $3 million, DNR
- Sustainable Farms & Fields grants program – $3 million, SCC
- Forest health and fire wise grant program – $2.4 million, SCC

Impacts on publicly owned natural gas utilities

Two cities in Washington provide natural gas to local ratepayers. They participate in the Climate Commitment Act's cap-and-invest program due to the level of their carbon emissions: the City of Enumclaw and the City of Ellensburg. The initiative repeals the cap-and-invest program, and these two cities would no longer be required to acquire allowances or offset credits equal to their carbon emission levels. The cap-and-invest program currently gives the two cities free allowances in an amount that initially covers all their emissions and then declines at 7% per year through 2030 and 2% per year after 2030. If these utilities decrease emissions (decarbonize) faster than 7% per year, they could return the monetary value of any unused allowances to their ratepayers. Under the initiative, through 2030, the total value of the free allowances that these cities would not receive is forecasted at $13.4 million.

Impacts on publicly owned electricity utilities

Currently, 53 cities, counties and other publicly owned entities that provide electricity to local ratepayers participate in the cap-and-invest program that would be eliminated under the initiative. Currently, these utilities receive free allowances to cover the total cost burden of compliance, including administrative costs and the costs of acquiring allowances or offset credits equal to the carbon emissions from the power plants that serve their ratepayers. These utilities can use the free allowances to meet their cap-and-invest compliance obligations. Alternatively, they can use some of the free allowance value to implement programs that benefit ratepayers. Under the initiative, through 2030, the total value of the free allowances that these entities would not receive is forecasted at $1.3 billion.