

2010 Recommendations for Effective Environmental Stewardship

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As legislators and the Governor grapple with the economic problems facing Washington state, this is a good time to reassess our environmental priorities to ensure we are really protecting the environment while promoting jobs and prosperity. Washington Policy Center's 2010 Recommendations for Effective Environmental Stewardship offers proven and innovative ways to help the environment by creating personal incentives to reduce greenhouse gases and harnessing the knowledge of millions of Washington residents to take steps toward sustainability.

Washington Policy Center's recommendations include five proposals that are effective and efficient:

- **Develop a personal incentive to reduce greenhouse gas emissions by creating a revenue neutral carbon price and offering investment tax credits to promote creativity and innovation.**
- **Give school districts the flexibility to make building improvements by removing the costly and ineffective "green" building mandates.**
- **Complete a comprehensive review of the Growth Management Act and two decades of amendments and changes.**
- **Ensure the state is receiving the carbon emissions reductions it pays for by requiring audits and accountability of emissions reductions project, as recommended by WPC's proposed Climate Accountability Act.**
- **Analyze Washington's environmental priorities with a comprehensive cost/benefit analysis of the state's top environmental expenditures, as recommended by WPC's proposed Environmental Priorities Act.**

These ideas can help ensure that, even as the economy takes center stage in policy priorities, we make progress in improving environmental stewardship. By tying environmental sustainability to economic sustainability, we will continue to create a healthy environment even as the economy and state budgets ebb and flow.

Washington has an opportunity to set aside the counterproductive policies of the past and choose a direction that will make the best use of the state's scarce resources.

Using Incentives and Innovation to Reduce Greenhouse Gases

An effective and efficient alternative to cap-and-trade's costly approach

In 2007, Governor Gregoire signed an executive order calling for Washington to reduce CO₂ emissions to 1990 levels by 2020. Since that time, however, state officials have done little to actually make progress toward that goal. The cost and complexity of the policies offered since that time have made them fiscally and politically impractical.

If we want to make progress in reducing carbon emissions, Washington officials need a strategy that is transparent and can be implemented in the near term.

A revenue-neutral carbon price that raises the cost of carbon emissions, while cutting state sales or property taxes, would provide a strong incentive to businesses and individuals to find ways to conserve energy and innovate. It has a number of advantages.

First, a carbon price is the most effective, and efficient, way to reduce greenhouse gas emissions, especially in transportation. Millions of individuals would find ways to limit their carbon emissions in ways no top-down, cookie-cutter approach could match.

It is transparent, making it difficult to cheat the system or create windfall profits for private interests, as is typical under the politically favorable accounting rules of cap-and-trade.

A carbon price with offsetting tax cuts is politically feasible. In British Columbia, the Liberal Party was re-elected to a third term this year after adopting a revenue-neutral carbon price with tax rebates. This is in contrast to the failure of cap-and-trade legislation in Washington state and stalled efforts at the federal level.

It can truly create economic growth by cutting taxes on capital investment and promote long-term economic growth.

A growing number of experts support this approach, ranging from President Obama's head of the Office of Management and Budget, Peter Orszag, his top economic advisor Larry Summers on the left, to the founder of supply side economics Art Laffer, George Bush economic advisor Greg Mankiw and conservative columnist Charles Krauthammer on the right.

Washington officials have a choice on greenhouse gases: they can wait another three years to negotiate a political set of cap-and-trade rules like those that have already failed in Europe, or they can take a transparent, efficient and effective step now to enact a carbon price, as is favored by economic experts.

To create immediate, effective and efficient greenhouse gas reductions, policymakers should:

- 1. Raise the price of carbon and reduce sales or property taxes to keep the proposal revenue-neutral.**
- 2. Provide an investment tax credit to companies that innovate and replace inefficient equipment with new, energy efficient equipment.**

The Growth Management Act: Time for a Comprehensive Review

After more than 100 amendments, the GMA is not working as intended

According to the State Department of Commerce there have been more than one-hundred studies and reviews of the Growth Management Act (GMA). None of the studies or reviews, however, has provided a comprehensive, independent look at the economic impacts, environmental successes or progress toward the 14 policy goals of the Act.

Under the guidance of GMA, adopted in 1990, the state was to move from centralized planning to a decentralized process, giving deference to local policymakers. The Act was supposed to provide greater coordination of development to sustain economic growth, while protecting the environment. The new “bottom up” approach to growth planning identified various policy goals to be considered by local governments during their planning process.

Since its inception, the GMA has undergone many significant modifications. Since 1995, no fewer than 110 amendments and fixes have been adopted. The amendments range from substantive to technical in their nature and scope.

Prior to 1995 there were additional amendments, including a 1991 amendment which created local GMA Hearing Boards. These Boards, which perform a quasi-judicial role hearing and determining conflicts, disagreements and allocations that arise throughout the GMA process, have heard more than a thousand challenges against local governments’ attempts to impose the broad goals of the GMA.

Before lawmakers adopt any additional amendments to the GMA, they should require a comprehensive audit of the GMA to ensure that the goals of the Act are being met. In order to ensure that a review is independent, comprehensive and effective, Washington Policy Center recommends the following steps:

- **An independent party, such as the State Auditor, should conduct the review.**
- **All interested parties should be allowed to participate.**
- **The goals of GMA should be reviewed to see if they are being achieved.**
- **The final product should be presented in the form of a clear cost/benefit analysis.**

Without a true comprehensive and independent analysis it is impossible for lawmakers to ensure taxpayers are getting the protections and benefits that were promised when the GMA was enacted, or that its environmental goals are actually being achieved.

Before lawmakers adopt additional amendments they should require a complete audit of current GMA policies that answers the following questions:

- 1. What are the costs and benefits of the Growth Management Act?**
- 2. How have amendments and Growth Management Hearing Board decisions changed the effectiveness and intent of the Growth Management Act?**

Free Schools from Ineffective “Green” Building Standards

Remove cookie-cutter approach and turn schools into laboratories for energy savings and education

As lawmakers look for new ways to reduce energy costs and increase education funding, they can begin by removing “green” building regulations that have turned out to be costly and ineffective, and to let school districts become laboratories for efforts to save energy.

In 2005, the Legislature passed a bill requiring schools to meet “high-performance” building standards. Some argued that schools would see significant energy savings that would pay for the cost of complying with the new regulations. They claimed “green” schools would see savings of 30-50 percent in energy costs.

Now it is clear that the regulations are more far costly than expected, needlessly eating into education budgets, and that “high-performance” schools do no better at saving energy than traditionally built schools. After four years of tracking the results, the trends are consistent in schools that have been open several years as well as those that have just opened.

For instance:

- In Bellevue, the new “green” Sherwood Forest Elementary school spends fifteen percent more on energy than the average school in the district and 51 percent more than the most recently built, non-green school.
- In Everett, “green” Forest View Elementary uses nearly 25 percent more energy per square foot than average and nearly double the energy of non-green Hawthorne Elementary.
- In 2005 the Washington Conservation Voters claimed Gaudrone Middle School in Tacoma had “realized energy savings of 35%.” In fact Gaudrone, compared with a similar school built at the same time, spent 39% more on energy during the most recent school year, 24% more in 2005-06, and 34% more in 2004-05.

The agencies overseeing these rules now admit energy savings results have been poor. Education officials at the Office of Public Instruction now admit that the green schools report they released in 2008 “was not trying to show energy savings.”

While the green school regulations have not lived up to what environmental advocates promise, the mandatory costs are now entirely borne by the school districts themselves. These unfunded mandates hurt both schools and the environment. At a time when schools are looking to reduce unneeded expenditures, eliminating this unfunded “green” mandate would make a significant difference.

Washington lawmakers should give local districts the freedom to choose the most effective way to reduce energy costs and should honestly audit the performance of these schools.

Acknowledging the failed results of green building regulations, policymakers should:

- 1. Allow school districts to opt-out of so-called “high-performance” building regulations in favor of local efforts to reduce energy use and other utilities.**
- 2. The State Auditor should conduct a performance audit of schools built to the state’s “High Performance School” building regulations.**

Ensure Climate Accountability with Oversight and Audits

Make emissions reductions targets a part of state contracts and hold contractors accountable

As Washington state funds projects designed to reduce carbon emissions and meet the state's mandatory CO₂ targets for 2020, there is a growing need to ensure that the state is getting what it pays for. With such limited funding available, money spent without results is not only wasted taxpayer dollars, but wasted opportunity for environmental improvement. To make sure Washington receives the promised results, the legislature should hold those who receive state funding accountable for emissions reductions.

From support for plug-in hybrid stations, "green" buildings or other capital investments, policymakers approve funding for these programs with the expectation that they will provide a certain level of emissions reductions. In many cases, companies and interest groups testify before the Legislature or state agencies, promising significant savings. These organizations, however, are not held to account for those promises in any real sense, and state lawmakers rarely follow up to see if the promised savings ever occur.

By failing to hold contractors and state agencies accountable for their promises, legislators cannot rely on the claims they are receiving about the benefits of various expenditures. By accepting inflated claims, lawmakers create a strong incentive to exaggerate in an effort to receive funding for favored projects. This makes it difficult for legislators to accurately determine the value of a range of projects and to choose the most effective projects.

The proposed Climate Accountability Act addresses these failures by setting benchmarks for performance and holding recipients of government funding accountable to those benchmarks.

1. It requires any contractor receiving funds to reduce greenhouse gas emissions to "include cost per ton of CO₂ reduction in the performance portion of the contract." This sets a standard policymakers can use to compare the costs and benefits of various public projects.
2. It requires regular audits of those contracts.
3. If contractors do not meet the promised benchmarks, they must either refund a portion of the contract until the promised cost per ton of reduced CO₂ is achieved, or purchase certified carbon offsets to meet the CO₂ reduction target.

These benchmarks will provide a more realistic estimate of the costs and benefits of various projects designed to reduce greenhouse gas emissions. Those estimates can ensure that the state is receiving the largest benefit possible for each dollar spent on energy efficiency projects.

Most importantly, if projects designed to reduce carbon emissions fail to achieve results, it does not absolve the state of its reduction targets. The state would either miss the targets or be forced to increase expenditures to throw good money after bad. Audits and accountability can prevent the state from finding itself in such a lose-lose position.

To ensure that emissions reductions projects are effective, policymakers should:

1. **Place emissions reductions targets in state contracts for climate-related capital projects.**
2. **Require regular audits of those projects and accountability mechanisms for projects that fail to meet promised results.**

Prioritize Environmental Projects by Effectiveness Not Politics

Use a rational analysis to target projects with the greatest environmental benefit

Washington's policymakers manage a variety of current and potential environmental restoration projects, regulations and programs that would help protect the environment, reduce pollution and improve the quality of life of state residents. Unfortunately, priorities for choosing project funding are currently set based on politics rather than what is best for the environment.

Without an objective assessment of the state's environmental priorities, taxpayer dollars are spent on projects that do not yield environmental benefits and waste opportunities to make real environmental improvements. Such an assessment would provide credible, thoughtful information to the legislature so environmental priorities could be based on good science and sound economics.

An analysis of Washington's environmental expenditures by economists, scientists and others would create an objective basis for choosing project priorities. An independent assessment of the costs and benefits of each project would separate those that have a significant environmental benefit from those which yield little or no benefit, thus taking important funding away from programs that truly make a difference.

The state would examine and rank projects based on a number of objective, non-political criteria, including:

- Environmental benefits of the policy or project.
- Economic benefits of the policy or project using accepted economic standards for cost of a statistical life, discounting and other commonly accepted analyses.
- Impact on state budget.
- Macroeconomic impacts of the policy or project using accepted economic models.

Such an analysis would provide a rational and scientific basis for choosing policies that yield the greatest environmental benefit for the money spent and leave the best legacy for future generations.

Policymakers should establish the Washington Environmental Priorities Council to create a list of environmental projects based on an economic cost benefit analysis and scientific review, rather than political considerations.

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