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LEGISLATIVE MEMO

HB 2251, Weakening Oversight While Expanding Climate Spending

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Key Findings

1. **House Bill 2251 significantly restructures the funding accounts in the Climate Commitment Act, aligning them more closely with state budgeting**
2. **The bill expands how CCA funds can be spent, making it more political and less focused on measurable results**
3. **It cuts funding for air quality projects for overburdened communities by at least half compared to the existing CCA intent**
4. **The legislation breaks a key promise that agricultural fuel would be exempted from the CO2 tax**
5. **Reports showing how CCA funding is spent will be less frequent, requiring a report every other year instead of annually**
6. **Funds in the CCA Operating Account are required to "maximize access to economic benefits from such projects for local workers and diverse businesses," reducing the effectiveness of projects at meeting environmental goals**
7. **HB 2251 is a step in the wrong direction for the CCA which already has a poor record of delivering effective results for the environment and overspends on bureaucracy and political agendas**

Introduction

When the Climate Commitment Act (CCA) was adopted in 2021, it was promised that the revenue generated by the law would be spent on reducing CO2 emissions and the impacts of climate change. More than $1.5 billion of CCA revenue has been spent and the results thus far have been poor.

So far, CCA-funded projects are projected to reduce just 308,000 metric tons of CO2 over their lifetime, equivalent to 0.3 percent of the state's annual emissions. Additionally, a significant portion of CCA spending in the state operating budget goes to expanding government bureaucracy rather than actual programs.

Now, House Bill 2251 (HB 2251) proposes making significant changes to how that revenue is used. Some of the changes would simply align spending with existing state operating and capital budgets. Other changes would broaden the scope of what can be funded, reduce oversight of the spending and break a key promise to farmers about the impact of the CCA on fuel costs. The result is that the spending would be based more on politics and less on effectiveness and measurable results.

This legislation is a move in the wrong direction, further detaching the billions in CCA revenue from real-world environmental benefits. Some alignment between CCA accounts and state budgets may be appropriate. However, the bill includes several elements that betray the promise that the law would address the risks from climate change.

Changes to funding mechanisms

The centerpiece of HB 2251 is a change in how the revenue from the CCA is allocated. In the original bill, funding was ultimately allocated between four accounts dedicated to funding for transportation-related projects (excluding road construction or maintenance), the Natural Climate Solutions Account dedicated to environmental spending, the Climate Commitment Account which could be used for a wide range of expenditures ranging from tax rebates to worker retraining and energy efficiency projects, and a small fund to address air quality and health disparities.

That same fundamental structure has been kept, although the Natural Climate Solutions Account and the Climate Commitment Account

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have been replaced by the CCA Operating Account and the CCA Capital Account. This aligns more readily with existing legislative budgets. The Carbon Emissions Reduction Account (CERA) continues to focus on transportation, the CCA Operating Account would align with the operating budget and the CCA Capital Account aligns with the capital budget.

The proposed legislation would change how much of the revenue generated from the sale of CO_2 allowances would flow to each account. The substitute adopted by the House Appropriations Committee would allocate funding each fiscal year according to this formula:

- The first $25 million to the CCA Operating Account
- 68 percent of the remaining revenue to the CERA, up to a maximum of $359,117,000
- 5 percent to the CCA Operating Account, up to a maximum of $80 million
- 2 percent to the Air Quality and Health Disparities Improvement Account, up to a maximum of $10 million
- 15 percent to the CCA Capital Account and all remaining revenue

According to the Department of Ecology's recent revenue forecast, auctions will generate a declining amount of revenue over the next few years.

It is worth noting that Ecology's forecasts have been extremely poor, consistently underestimating the cost of the allowances. The most recent forecast, released in December, increased projected 2026 revenue by nearly 75 percent over the projection released just six months earlier. So, while it is wise to plan for the potential that future revenue will decline, those projections have been consistently inaccurate up to this point.

Using Ecology's projection of $894.6 million in revenue for FY 2027, the new formula would cut funding to air quality projects by $10 million, funding to the CCA Operating Account would be $105 million and the CCA Capital Account would receive $420.5 million. The CERA would receive $359 million.

The changes in how the funding can be used are more meaningful.

The new legislation would break a key promise made in the initial CCA that "Motor vehicle fuel or special fuel that is used exclusively for agricultural purposes by a farm fuel user" would be exempted. The 2024 supplemental operating budget included $30 million in rebates from the Climate Investment Account to compensate farmers for use of fuel that had been taxed by the CCA. HB 2251 would ban that use in the future.

Additionally, the bill would cut funding for the Air Quality and Health Disparities Improvement Account (AQHDIA) by at least half. This fund was a major selling point of the CCA, arguing that it would provide funding to "reduce criteria air pollution in these overburdened communities and participating Tribal communities" and reduce rates of asthma. As the state's "Washington Climate Action" page argues, "The CCA also serves as a clean air program. A 2023 report by the Department of Ecology identified 16 communities in Washington state where air pollution is among the factors that make people sicker and die an average of 2.4 years earlier." Thus far, rather than focusing on reducing asthma, CCA-funded projects have emphasized things like "community engagement," and designing "air pollution emissions reduction strategies" rather than projects that materially reduce criteria air pollutants.

The legislation would add a major new category of expenditure for "Housing that reduces commute times and distances for low-income households." Although there is a theoretical connection to reducing CO_2 emissions, accurate projections about the impact of grants on CO_2 emissions are dubious. Indeed, the purpose of existing growth management planning was to achieve a similar goal by increasing density so people could have shorter commutes. Increasing spending to help achieve what growth regulations have not, is unlikely to yield meaningful or predictable results.

The legislation also expands authority to spend on projects related to electric vehicles. The bill would allow funding from the CCA Operating Account to be used for "Electric vehicles and related costs, such as equipment and infrastructure, and alternative fuel." This is already allowed using CERA funding, such as the $125 million currently budgeted for vouchers to promote medium and large trucks as part of the WAZip program. Now, hundreds of millions of dollars more would be available to fund these kinds of programs.

Washington's experience with EV subsidies has been poor. In 2024, Washington funded a $45 million program to subsidize the purchase of electric vehicles, hoping to reduce transportation-related CO2 emissions. That program fell far short of expectations, failing to reach the intended groups or meaningfully reduce CO2 emissions. As Cascade PBS reported, "the program struggled to target those communities and meet its goal of directing 40% of funding to vulnerable populations and overburdened communities." Ultimately, according to the EPA calculator used by the Department of Ecology, the program reduced statewide, transportation-related CO2 emissions by just 0.03% for one year.

These changes to CCA accounts increase the legislature's ability to fund projects that have either failed to address climate risks or those whose link to reducing emissions is extremely speculative. This is a step in the wrong direction that will likely magnify the worst parts of the current law.

Reductions in impact requirements and reporting

The bill also reduces some of the oversight and requirements to ensure that money is spent well, while reiterating requirements that undermine the environmental effectiveness of CCA-funded projects.

For example, the Department of Ecology must produce a report every year that outlines how CCA money is spent, including identifying the cost to reduce CO2 emissions and the percentage of funding that goes to "overburdened communities." The bill would change that requirement to every other year. The report would be released six months after the end of each fiscal biennium. As a result, that data would not be available to legislators when drafting biennial budgets. Some of the data will be years old by the time legislators have the opportunity to assess what works and what doesn't to make budget decisions. Reducing the frequency of this report makes it significantly less useful as a tool to make thoughtful decisions.

In committee debate, the change was justified as a way to reduce the burden on Department of Ecology staff. The priority, however, should be on producing information that provides transparency and is useful for policymakers, not to reduce the burden on government bureaucracy.

Requirements that CCA-funded projects meet numerous union requirements are left untouched. For example, the bill says that projects or activities funded by the CCA Operating Account must "maximize access to economic benefits from such projects for local workers and diverse businesses." Notably, nowhere does the bill require that spending must maximize environmental benefits. It is a clear example of how HB 2251 – and the existing CCA structure – puts special interest benefits ahead of reducing climate risk or helping the environment.

Conclusion

Although, section 1 of the Climate Commitment Act claims that climate change is an "existential crisis with major negative impact on environmental and human health," the state has a poor record of reducing the risk of climate change. State-funded projects have consistently fallen far short of the goals, yielding tiny reductions in CO2 emissions.

Some elements of the bill create a more logical alignment of funding with the existing budget structure. Other elements, however, exacerbate existing problems.

Rather than acknowledging those problems and increasing the standards of effectiveness, HB 2251 actually reduces the oversight of spending and makes the spending more political, reducing the likelihood that it will be effective.

Legislators should, at the very least, keep the requirement for an annual report of expenditures using CCA funding and eliminate the requirement that CCA Operating funds conform to expensive union requirements and "maximize" economic benefits rather than focusing on delivering environmental results. As written, those clauses focus CCA funds on delivering benefits to organized labor rather than the environment, cutting asthma, or other benefits that are consistently touted as the primary benefits.

Ultimately, HB 2251 ignores the lessons of the CCA's first three years and the cost will be paid by taxpayers and the environment.

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Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body.

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