

Re: Statutory references to climate change funding in Washington
Date: July 21, 2008

This memorandum provides an overview of HB 2815 statutory references related to climate change funding and the status of relevant efforts that are currently underway in Washington for review by the Climate Action Team as it considers public financing issues related to addressing climate change in Washington.

Three components will drive consideration with regards to financing Washington's response to climate change:

1. the funding needs and revenue generation opportunities being identified in the specific policy proposals being developed by the climate workgroups;
2. the potential for revenue generation through the regional cap and trade mechanism being developed through the Western Climate Initiative (WCI) and emerging federal efforts; and
3. requirements in statute to address funding and financing issues (which cut across specific actions and the use of revenues from WCI as well as administrative funding issues, and broader programmatic mandates).

The first component will be informed by the products from the climate workgroups and details that are emerging as these groups continue their work and refine their proposals. The second component will be informed through progress within the Western Climate Initiative, and the release of the design recommendations in September. This memo provides information on the third component through an overview of the various legislative obligations in place, and general topics for the CAT to consider as it evaluates its efforts at both the specific and practical policy level, and the broader comprehensive and strategic level. Greater clarity about if and how the recommendations being developed by the workgroups and WCI will meet the legislative requirements, and the related funding implications of these recommendations, will continue to emerge over the next two months.

HB 2815 Funding Provisions

HB 2815 requires Ecology and CTED to submit a comprehensive report to the Governor and Legislature by December 1, 2008, containing:

- Recommendations for approval and request for the authority to implement the preferred design of the regional multi-sector market-based system being developed as part of the WCI, as well as recommendations for:
 - Local government participation in WCI;
 - Potential voluntary participation by Washington's forestry and agricultural sectors in an offset or credit program; and
 - Offset or credit from the generation of electricity or alternative fuel from landfill gas and gas from anaerobic digesters.
- Final recommendations of the CAT's most promising strategies, including greenhouse gas (GHG) reductions per distance travelled.
- A GHG reduction plan, which identifies the actions and authorities necessary to reduce GHG emissions by 2020, 2035 and 2050.
- A description of progress being made in achieving GHG reduction requirements.

The statute contains the following directions related to revenue use and funding recommendations:

- **Sec. 1(6) – Description of how revenues from the market system should be used**
 - *“If any revenues that accrue to the state are created by a market system, they must be used to further the state's efforts to achieve the goals established in section 3 of this act, address the impacts of global warming on affected habitats, species, and communities, and increase investment in the clean energy economy particularly for communities and workers that have suffered from heavy job losses and chronic unemployment and underemployment.”*
- **Sec 4 (1) – Funding necessary to implement the market system should be identified**
 - The proposed design of the market system due to the Legislature on Dec 1, 2008 should include *"proposed legislation, necessary funding, and the schedule necessary to implement the preferred design by January 1, 2012."*
- **Sec 4 (2c) – Additional resources needed to implement the most promising recommendations of the CAT should be requested**
 - The report to the Legislature due Dec. 1 should include *"a request for additional resources and statutory authority needed to limit and reduce emissions of greenhouse gas consistent with this act including implementation of the most promising recommendations of the climate advisory team."*
- **Sec 5(2) – Description of how GHG emissions reporting and registration fees should be used**
 - These fees will be deposited in a dedicated account, and by terms of the statute, can only be used to support the reporting program: *"The department shall adopt rules requiring reporting of GHG emissions and may require that such registration or reporting be accompanied by a fee. The amount of the fee shall only be to compensate for the costs of administering such registration or reporting program, and shall be deposited into the air pollution control account. All registration program fees collected by the local air authorities shall be deposited in their respective treasuries."*
- **Sec 6 (14a) – Statute directs the assessment and collection of air permitting fees**
- **Sec 8(2d) – New revenue options for VMT reductions should be identified**
 - The collaborative process described in Section 8 to develop a set of tools and best practices must *"identify potential new revenue options for local and regional governments to authorize to finance vehicle miles traveled reduction efforts."*
 - Recommendations are being developed through the Transportation IWG/CAT process, and will be included in the Dec. 1, 2008 report to the Legislature.
- The state agency Green Economy effort is developing recommendations related to Section 9 (6a-b, 8c, 9):
 - **Sec 9 (6a-b) – Targeting criteria for existing investments should be developed, and recommendations for new or expanded financial incentives to stimulate green economy industries, small businesses, green technology and innovation should be made**
 - *"Develop targeting criteria for existing investments, and make recommendations for new or expanded financial incentives and comprehensive strategies, to recruit, retain, and expand green economy industries and small businesses; and make recommendations for new or expanded financial incentives and comprehensive strategies to stimulate research and development of green technology and innovation, including designating innovation partnership zones linked to the green economy."*

- Sec 9 (8c) – **Other public and private funding sources to develop the state's clean energy economy should be leveraged and aligned.**
 - Green industry skill panels will be created and piloted, and among other tasks, will “*leverage and align other public and private funding sources*”.
- Sec 9 (9) – **Creation of a Green Industries Jobs Training Account**
 - *"The green industries jobs training account is created in the state treasury. Moneys from the account must be utilized to supplement the state opportunity grant program established under RCW 28B.50.271. All receipts from appropriations directed to the account must be deposited into the account. Expenditures from the account may be used only for the activities identified in this subsection."*

Status of Efforts Underway

The recommendations for HB2815 are being developed, in part, by the CAT and several working groups, as well as continued significant participation in WCI by Washington. At this point, all the working groups are getting organized around the specific issues that they will research and develop; none of the working groups have developed sufficient detail on potential recommendations to identify fully either funding implications or financing strategies. Funding has been identified generally by each of the workgroups as an important issue to be addressed with the emerging recommendations, but the relevant revenue implications and needs will likely not become clearer until the details around these recommendations are more fully developed.

The WCI is moving along briskly. The partners are on track to release draft design recommendations on July 23, which are anticipated to include initial recommendations for allocation of credits and offsets. The partners are targeting September as the release date for their final recommendations.