Washington Research Council

Special Report

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SR 24-01

Where Does All the Money Go: Spending Carbon Emission Allowance Auction Proceeds in the Shadow of I-2117

Briefly

Washington has collected $2.149 billion to date from carbon emission allowance auctions. That's $1.484 billion more than was expected when the Climate Commitment Act (CCA) was enacted in 2021, as the actual auction prices were higher than anticipated. The windfall, combined with the possibility that the CCA will be repealed in November if voters approve Initiative 2117, made for a challenging budget exercise for legislators this year. (If I-2117 is approved, the state would retain auction revenues collected before the election but there would be no future auctions.)

Auction proceeds are distributed to seven accounts and appropriated in all three state budgets (operating, transportation, and capital).

In fiscal year 2023, the state spent $54.2 million from CCA accounts. (The first auction occurred in February 2023, just four months before the end of FY 2023.) Revised appropriations from CCA accounts for 2023–25 are $3.250 billion. To address the possibility of repeal, the Legislature made $704.5 million (21.7%) of its 2023–25 appropriations contingent on the rejection of I-2117. At the time the 2024 supplemental budgets were enacted, these amounts balanced within expected revenues.

However, revenues have come in below forecast so far this year. The state will be able to spend the revenues collected before the election regardless of the election results, but unless future auction proceeds come in higher than expected or the state doesn't spend all appropriations, the CCA accounts would be out of balance regardless of the election results.

Generally, CCA revenues must be used to reduce carbon emissions in transportation and other sectors, to mitigate the impacts of carbon emissions on communities, to deploy renewable energy, to increase building energy efficiency, and to increase climate resilience. The Legislature's appropriations include grants for programs that are expected to reduce carbon emissions, direct funding for specific projects, and funding for policy coordination and data collection.

Transportation was supposed to be the main beneficiary of auction proceeds. However, the amount that is distributed to transportation is fixed by dollar amount in statute, so all the upside from the higher-than-expected collections automatically flows to other uses (unless the Legislature makes policy changes).

The accompanying spreadsheet shows exactly which policies are funded with CCA revenues. It also provides descriptions of the policies, how much is appropriated (from which account and in which budget), and how much of the appropriation is contingent on voters rejecting I-2117.

Washington has collected $2.149 billion to date from carbon emission allowance auctions. That's $1.484 billion more than legislators expected when the Climate Commitment Act (CCA) was enacted in 2021. (When the legislation was enacted, the state estimated that the average auction price for calendar year 2023 would be $22.78. It turned out to be $54.86.) The windfall, combined with the prospect that the CCA could be repealed, made for a challenging budget exercise for legislators this year.

The CCA is a cap-and-trade scheme (styled in statute as "cap and invest") in which greenhouse gas emissions are capped and allowances to emit are auctioned off by the state. The revenues from the auctions are then appropriated by the state. (The first auction was held in February 2023.)

However, this November voters will consider Initiative 2117, which would repeal the CCA. In the 2024 supplemental budgets, the Legislature specified which 2023–25 appropriations would be funded even if the CCA is repealed and which would be re-evaluated if the CCA is upheld by voters.

This report shows how the CCA revenues are being used. It reflects actual spending in FY 2023 and enacted appropriations for 2023–25 (as revised by the 2024 supplemental budgets). An accompanying spreadsheet provides even more detailed information, down to the individual policy item.

Statute Directs CCA Revenues to Various Accounts That Have Defined Uses

Untangling the results of the CCA budget exercise is not straightforward, as the auction proceeds are distributed to seven accounts and appropriated in all three state budgets (operating, transportation, and capital).

Under current law, revenues from the carbon emission allowance auctions are directly deposited in three accounts: the carbon emissions reduction account (CERA), the climate investment account (CIA), and the air quality and health disparities improvement account (AQHDIA). Then, by statute, transfers are made from the CERA to the climate transit programs account and the climate active transportation account and from the CIA to the climate commitment account and natural climate solutions account.

Where the revenues are banked matters because the various CCA accounts have different allowable uses, as specified in statute. Broadly, these include expenditures to reduce carbon emissions in transportation and other sectors, to mitigate the impacts of carbon emissions on communities, to deploy renewable energy, to increase building energy efficiency, and to increase climate resilience. (For details on each account, see the appendix.)

Auction proceeds are first directed to the CERA, to help fund the 2022 Move Ahead WA transportation package (WRC 2023). Statute specifies the dollar amount that will be transferred to the CERA each year through 2037 (e.g., $127.3 million for 2023 and $356.7 million for 2024). Then, beginning in 2038, statute specifies that 50% of auction revenues will be deposited in the CERA (RCW 70A.65.100). After the distributions to the CERA, a small amount is distributed to the AQHDIA and the remainder goes to the CIA.

When the CCA was enacted in 2021, the dollar amounts directed to the CERA accounted for most of the expected auction proceeds (e.g., 57.7% in 2023 and 80.3% in 2024). Indeed, based on the 2021 fiscal note for the CCA legislation, the amount to the CERA would exceed 70% of estimated auction revenues in each year from 2024 through 2037 (OFM 2021).

However, auction proceeds have been much higher than expected. The CERA's actual share of total revenues was just 14.9% in 2023 and 27.6% in 2024. The revenue windfall has been distributed to the CIA and then to the climate commitment account and the natural climate solutions account. Effectively, this has shifted the overall use of the revenues from mostly transportation to mostly non-transportation purposes:

- The CIA may be used to "achieve the purposes of the greenhouse gas emissions cap and invest program," for tribal capacity grants, and for payments to farm fuel purchasers. After appropriations are made from the CIA, 75% of remaining funds each year must be transferred to the climate commitment account and 25% must be transferred to the natural climate solutions account.
- The climate commitment account may generally be used to mitigate the impacts of carbon emissions on communities; to deploy renewable energy; to increase industrial, building, and agricultural energy efficiency and decarbonization; and to assist workers and low-income people.
- The natural climate solutions account must be used to increase climate resilience. Generally, it may be used for fish passage barrier removal, to reduce flood risk, to improve aquatic habitat, to increase forest resilience to wildfire, and to improve forest health.

(More comprehensive lists of allowable uses are available in the appendix.)

Note, though, that during 2023–25, the state is allowed to transfer funds from the CIA to the CERA. In 2023, the Legislature enacted a transfer of $200.0 million from the CIA to the CERA for FY 2025. In 2024, the Legislature enacted a transfer of another $324.0 million from the CIA to the CERA, effective Jan. 1, 2025. If both transfers take place, the CERA's share of revenues for FY 2025 would be 81.2% (based on the November 2023 revenue forecast). Without the transfers, the CERA's share would be an estimated 33.4%.

Chart 1 on page 4 shows how the auction proceeds for 2023–25 flow through the various accounts and how dramatically the distribution changed with the higher revenues. Chart 1A shows what was expected at the time the CCA was adopted (OFM 2021). Chart 1B uses the revenues expected by the Legislature when the 2024 budgets were adopted (OFM 2024). (Chart 1 reflects only the estimated auction distributions for 2023–25, not total resources in each account. For example, it does not include the transfers from the CIA to the CERA or unspent revenues from 2021–23.)

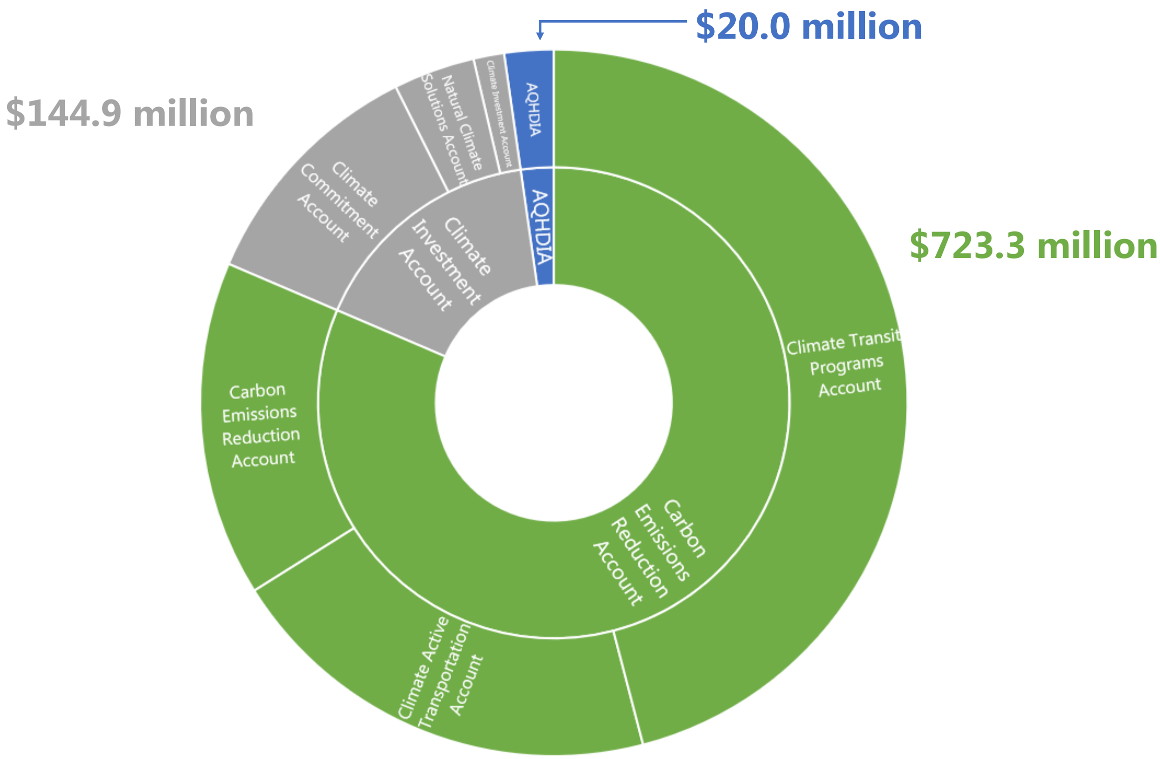
However, since the 2024 supplemental budgets were adopted, auction revenues have come in lower than expected. CCA revenues for FY 2024 were $189.5 million below the November 2023 forecast. Further, the June 2024 CCA revenue forecast from the Department of Ecology reduced estimated FY 2025 CCA revenues by $124.4 million compared to the November 2023 forecast (Ecology 2024b). As a result, the amounts to the CIA, climate commitment account, and natural climate solutions account will contract.

Balancing CCA Spending Given the Possibility of Repeal

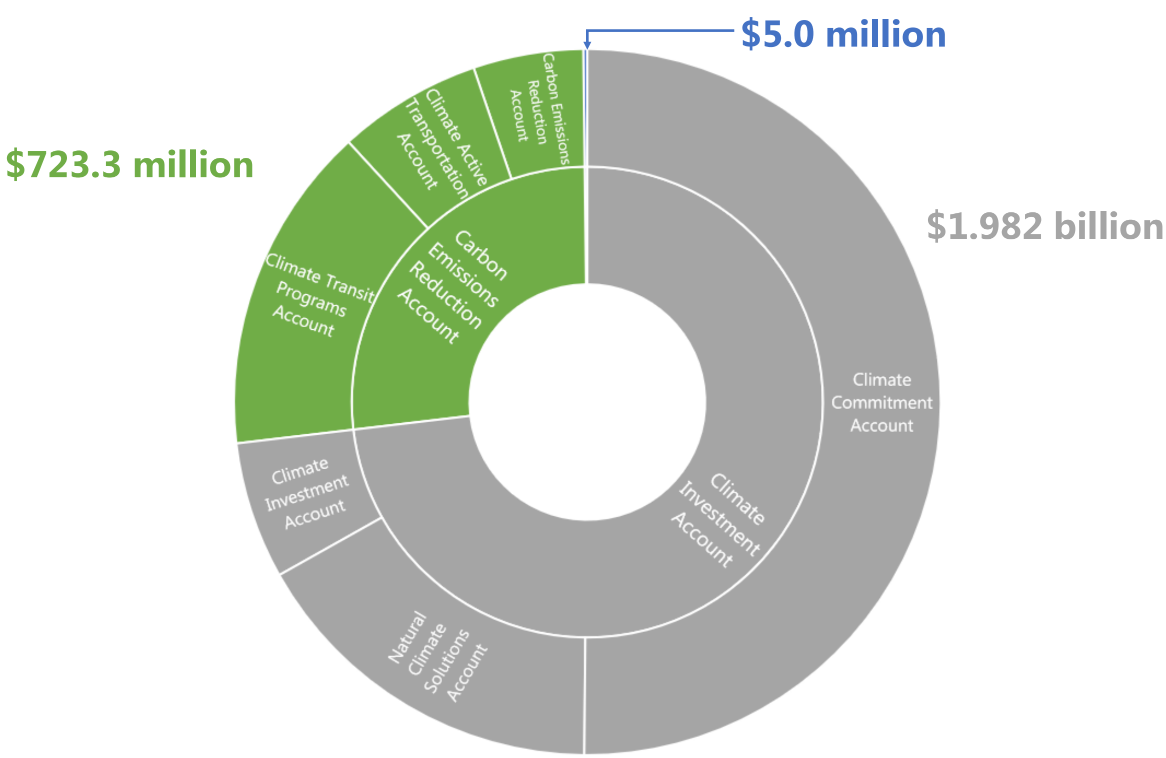
Through June 2024, the state has collected $2.149 billion from carbon emission allowance auctions. The June 2024 CCA revenue forecast from the Department of Ecology assumes that auctions will yield another $216.7 million before the election and another $755.6 million before the end of 2023–25 (Ecology 2024b).

Chart 1: Flow of CCA Auction Revenues in 2023–25 (Note: The inner ring is the first revenue distribution. The outer ring, which represents the same amount of money as the inner ring, shows the secondary transfer of funds.)

A. Expected at the Time the CCA was Adopted ($888.2 million)



B. As Assumed in the 2024 Supplemental Budgets ($2.710 billion)



Meanwhile, across all three budgets and all CCA accounts, the state spent $54.2 million in 2021–23. (When the 2023 supplemental and 2023–25 biennial budgets were adopted in May 2023, there had been only one auction, which raised $300.0 million. The 2023 Legislature chose to appropriate $76.2 million in the 2023 supplemental budgets from the CCA accounts and the rest in 2023–25.) The original 2023–25 biennial budgets appropriated $2.130 billion and the 2024 supplementals added $1.121 billion. Revised appropriations for 2023–25 total $3.250 billion. (Additionally, the Legislature transferred $4.8 million from the CERA to the Puget Sound ferry operations account.)

The CCA accounts balanced when the 2024 supplemental budgets were adopted. However, including lower-than-expected June auction revenues and the June 2024 revenue forecast, the sum of actual spending in FY 2023, enacted appropriations in 2023–25, and transfers to a non-CCA account exceeds estimated revenues by $187.9 million.

The overall balance achieved by the Legislature assumed that auctions would continue past November, when I-2117 will be on the ballot. However, the Legislature organized its appropriations in 2024 to address the possibility that the CCA may be repealed.

If I-2117 is approved in November, the state would retain auction revenues that were collected before the election but there would be no future auctions. Additionally, the initiative would repeal the current CCA accounts. In recognition of this, the 2024 supplemental budgets created the consolidated climate account and the transportation carbon emissions reduction account. If I-2117 is approved, moneys in the current CCA accounts would be transferred to the new accounts and the authorized appropriations from the current CCA accounts would be made from the new accounts—so long as the appropriations are effective on Dec. 1, 2024 (for operating and capital, unless otherwise specified) or before Jan. 1, 2025 (for transportation). The new accounts could be used for the same purposes as the current CCA accounts.

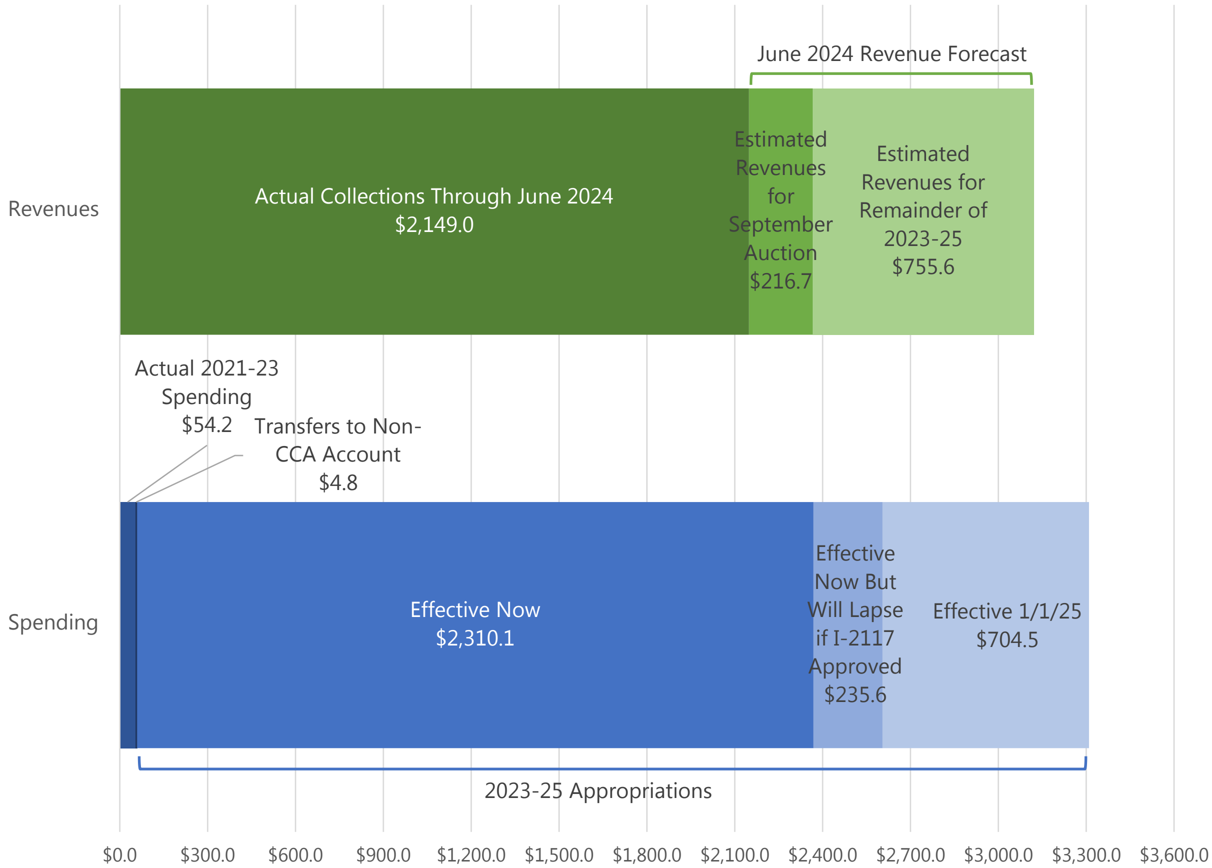
The CCA appropriations in the 2024 supplemental budgets were structured in three ways:

1. $180.4 million is effective now.
2. $235.6 million is effective now; but if I-2117 is approved, the new CCA accounts could not be used for the item (effectively it would lapse) or the item would explicitly lapse.
3. $704.5 million is not effective until Jan. 1, 2025; and if I-2117 is approved, these appropriations would be null and void.

If I-2117 is approved but there is still CCA money remaining, the amounts that would have been spent on the items in the second and third buckets would be available for future appropriation. However, the $704.5 million that is contingent on rejection of I-2117 appears to be too low given the June 2024 revenue forecast. Of the revised 2023–25 appropriations, $2.546 billion (78.3%) is effective now (including the items that may lapse). This level of appropriations (plus actual spending in 2021–23 and transfers to a non-CCA account) is $239.0 million *more* than actual revenues to date plus the forecast for the September auction.

Thus, unless the September auction proceeds come in well over the forecast (contrary to the recent trend) or the state doesn't spend all appropriations, the CCA accounts would be out of balance if I-2117 passes—despite the Legislature's efforts to plan for the possibility of repeal. (See Chart 2 on page 6.)

Chart 2: CCA Revenues and Spending for 2021–23 and 2023–25 (Dollars in Millions)



Where is the Money Going?

A November 2023 report to the Legislature from Ecology detailed how CCA funds were used in FY 2023. The FY 2024 report is due in November. In the meantime, to illustrate how the CCA auction revenues are appropriated for 2023–25, we sorted each policy item into categories used by the governor's office: clean transportation; clean buildings; clean energy development, siting, and transmission; environmental justice; addressing climate change impacts; and agriculture, sequestration, and methane reduction (Inslee 2024a). The accompanying sortable spreadsheet shows exactly which policies we've included in each category. It also provides descriptions of the policies, how much is appropriated (from which account and in which budget), and how much of the appropriation is restricted based on what happens with I-2117.

Note that this report and the spreadsheet only show 2021–23 spending and 2023–25 appropriations *from CCA accounts*. Many projects and programs also receive funding from other accounts. (For example, for 2023–25, a new hybrid electric ferry is funded with $11.6 million from CCA accounts and $21.7 million from the state capital vessel replacement account.)

Generally, the CCA appropriations include grants for programs that are expected to reduce carbon emissions, direct funding for specific projects (e.g., a bridge for non-motorized traffic over I-5 in Shoreline and gas boiler replacements at UW Tacoma), and funding for policy coordination and data collection (e.g., mapping the state's surface water, adding climate staffing at state agencies, and helping entities applying for federal clean energy tax credits).

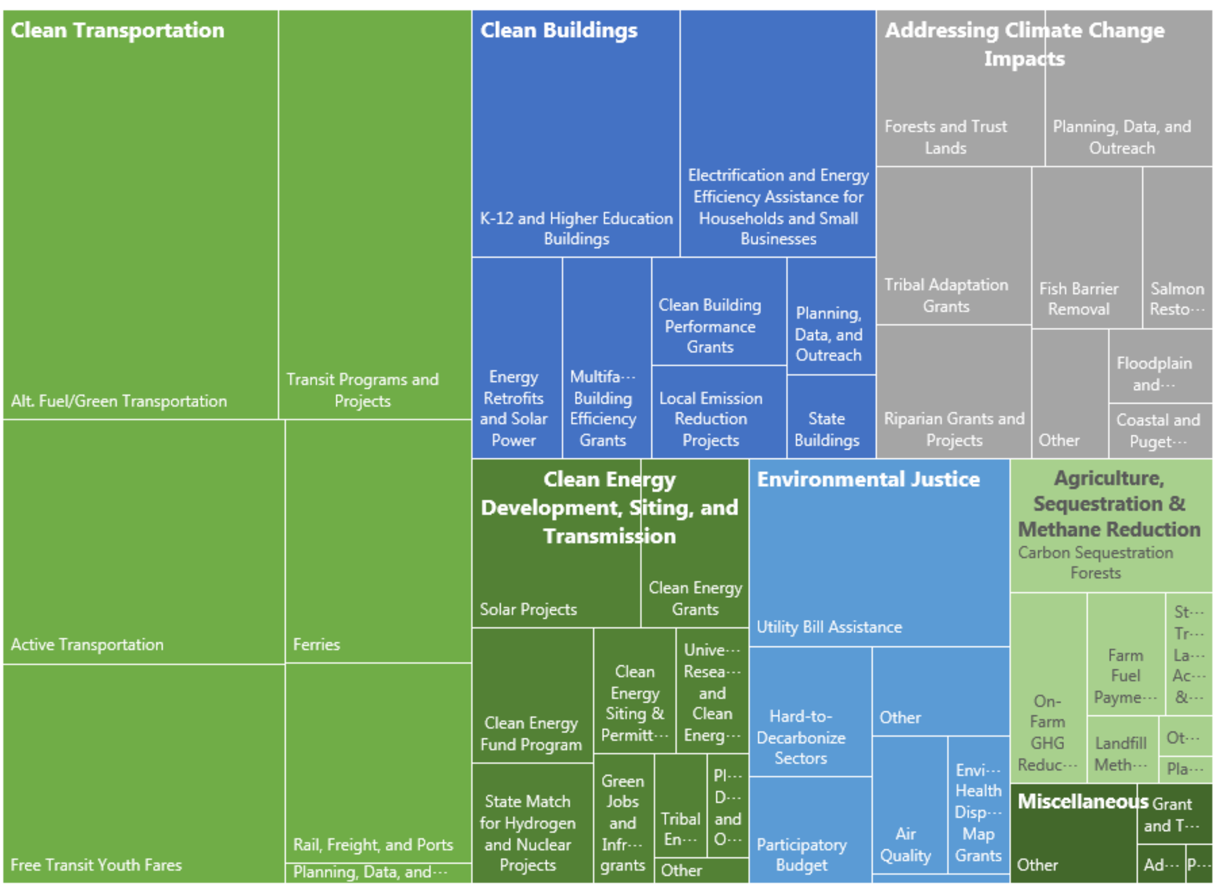
Further, statute requires that across all CCA accounts at least 35% of expenditures must be used to "provide direct and meaningful benefits to vulnerable populations within the boundaries of overburdened communities" (RCW 70A.65.030 and 70A.65.230). Additionally, at least 10% of expenditures must be used for "programs, activities, or projects formally supported by a resolution of an Indian tribe" (RCW 70A.65.230). (A project can count toward both targets.)

It is not yet clear how much of the revised 2023–25 spending will go to tribes and overburdened communities. The Office of Financial Management estimated that in the original 2023–25 biennial budget, 43.4% of CCA appropriations went to overburdened communities and 7.3% went to tribes (OFM 2023). The amounts for overburdened communities include the high efficiency electric home rebate program and projects to improve air quality, for example. In May, Gov. Inslee directed his office to "adopt a uniform approach to identifying overburdened communities and vulnerable populations for the purpose of directing and tracking investments" by July 1, 2024 (Inslee 2024b). He also directed agencies to use the adopted approach.

Actual Spending in 2021–23 Used Mainly for Transportation

Actual 2021–23 CCA spending totaled $54.2 million. As Ecology's FY 2023 report shows, 96.3% of that was used for clean transportation projects. These were mainly transit support grants and special needs

Chart 3: 2023–25 CCA Appropriations by Category



transit grants. According to the report, 69 of the 98 projects achieved 191,092 MTCO2e GHG emissions reductions. (Reductions due to the other 29 projects could not be determined.) (Ecology 2023a)

2023–25 Appropriations Are Focused More on Non-Transportation Items

Revised 2023–25 CCA appropriations total $3.250 billion. The clean transportation category represents the largest share of appropriations (38.8%), followed by clean buildings (17.2%). Chart 3 on page 7 shows how the revised 2023–25 appropriations are apportioned by category. (See the spreadsheet for the various policy items included in each secondary category.)

As noted above, $704.5 million of the 2023–25 appropriations is contingent on rejection of I-2117. Chart 4 shows how this contingency would affect appropriations in each major category. The following pages highlight some major 2023–25 policy items in each category and show (in Charts 5–10) how the contingency would affect appropriations in each secondary category.

Chart 4: 2023–25 CCA Appropriations (Dollars in Millions)

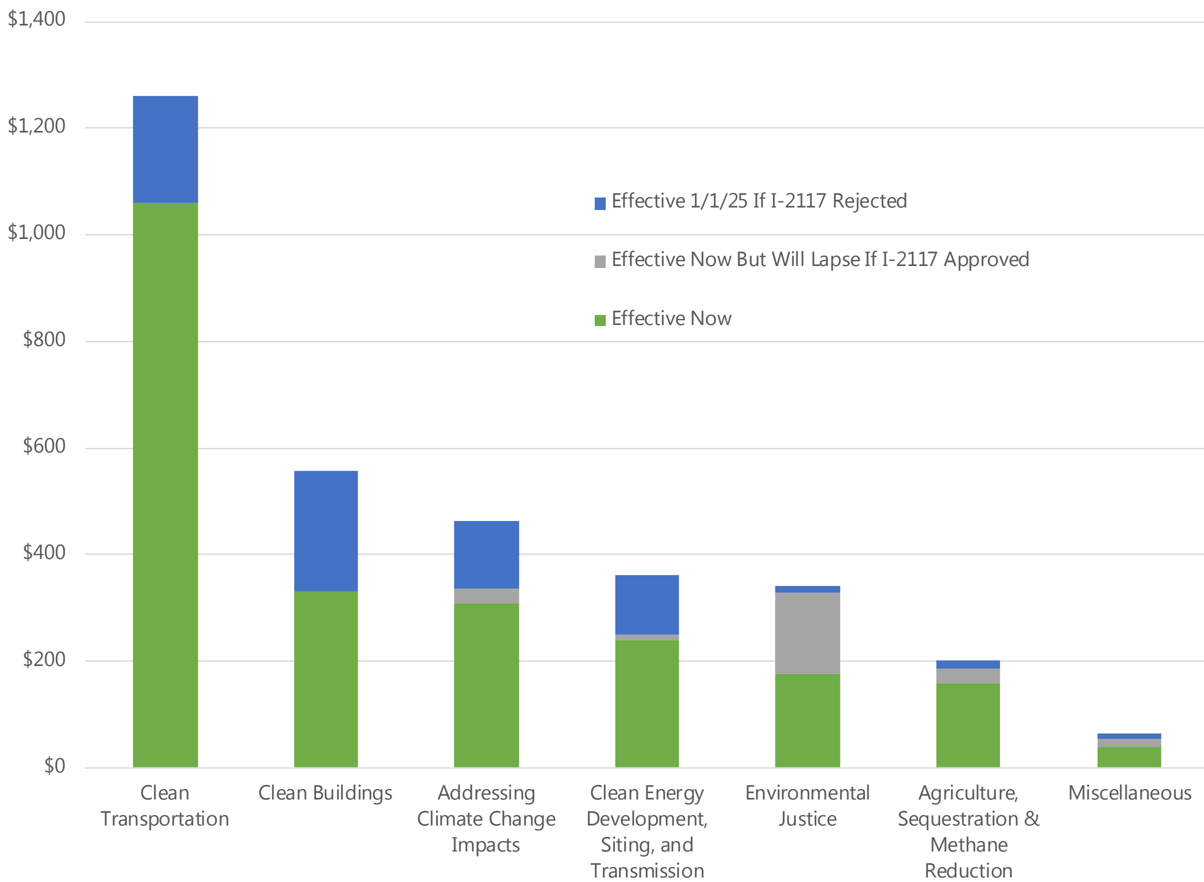
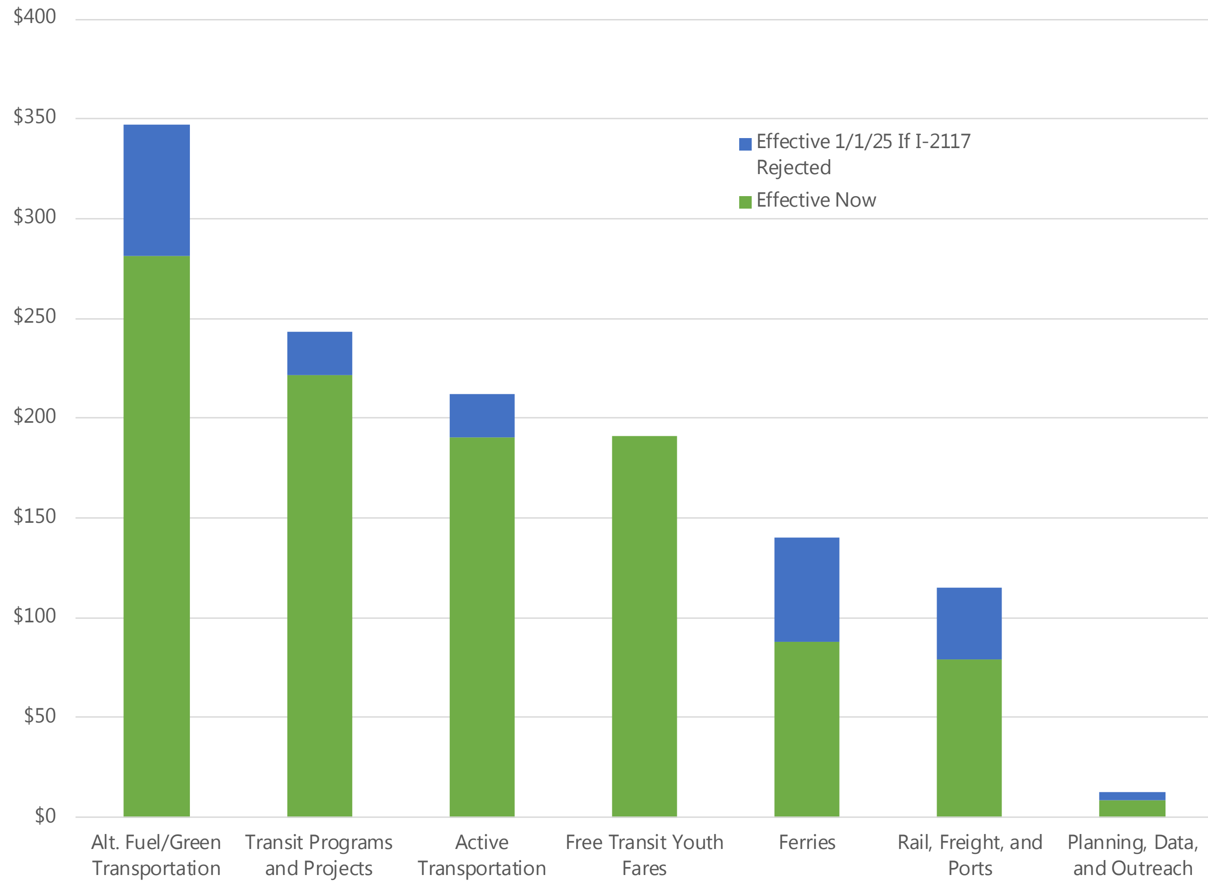


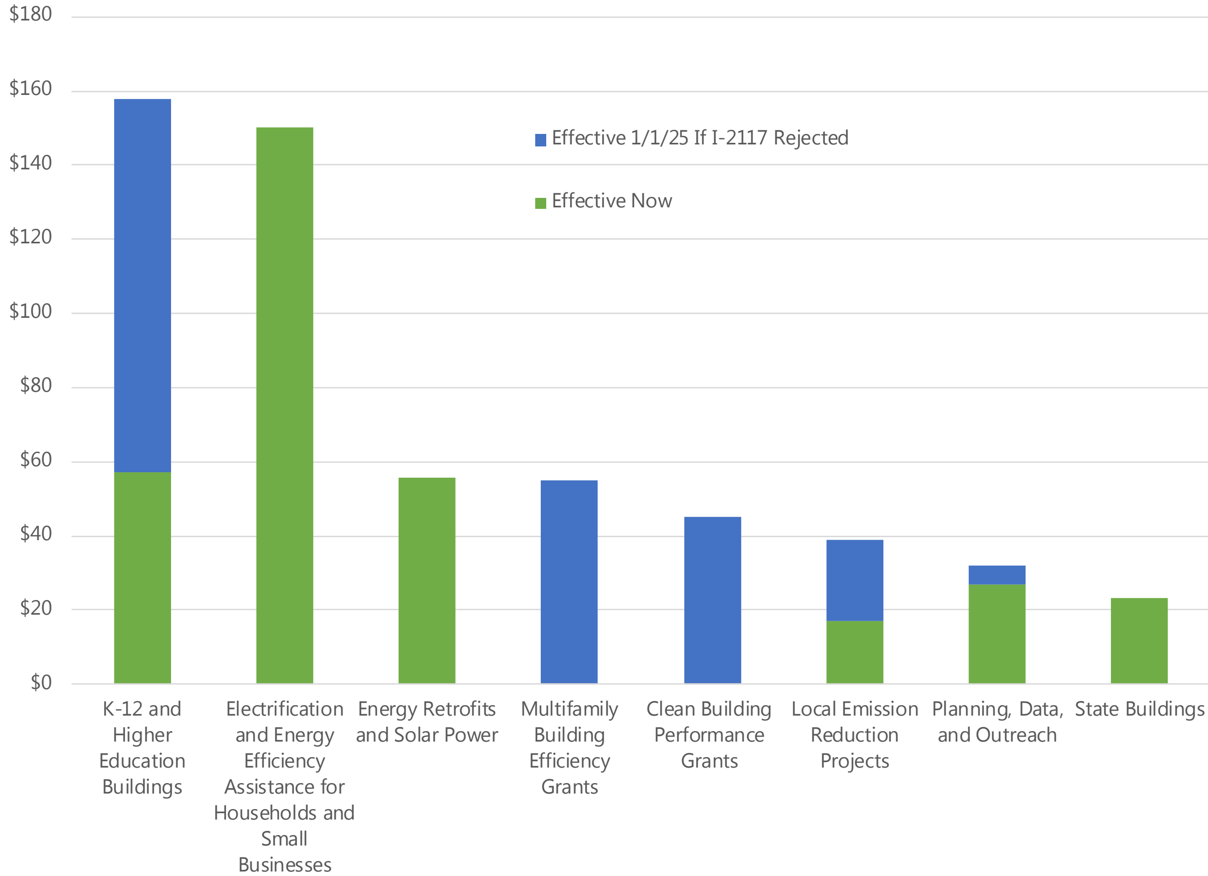
Chart 5: Clean Transportation (Dollars in Millions, 2023–25 CCA)



Clean Transportation. In this category, appropriations total $1.261 billion. Of that, $200.1 million (15.9%) is contingent on rejection of I-2117. Major policy items in this category include:

- $191.4 million for free transit, rail, and ferry youth fares (effective now).
- $110.0 million for zero-emission medium and heavy-duty vehicle incentives ($100.0 million is effective now and $10.0 million is effective 1/1/25).
- $105.0 million for community electric vehicle charging infrastructure (effective now).
- $78.3 million for special needs transit grants (effective now).
- $64.6 million to convert Jumbo Mark II ferries to hybrid electric propulsion (effective now).
- $46.6 million for transit projects throughout the state (effective now).
- $45.4 million for the safe routes to school grant program (effective now).
- $45.0 million for alternative fuel charging infrastructure grants ($30.0 million is effective now and $15.0 million is effective 1/1/25).
- $43.1 million for pedestrian and bicycle safety grants (effective now).
- $40.6 million to transition bus fleets to alternative fuels (effective now).

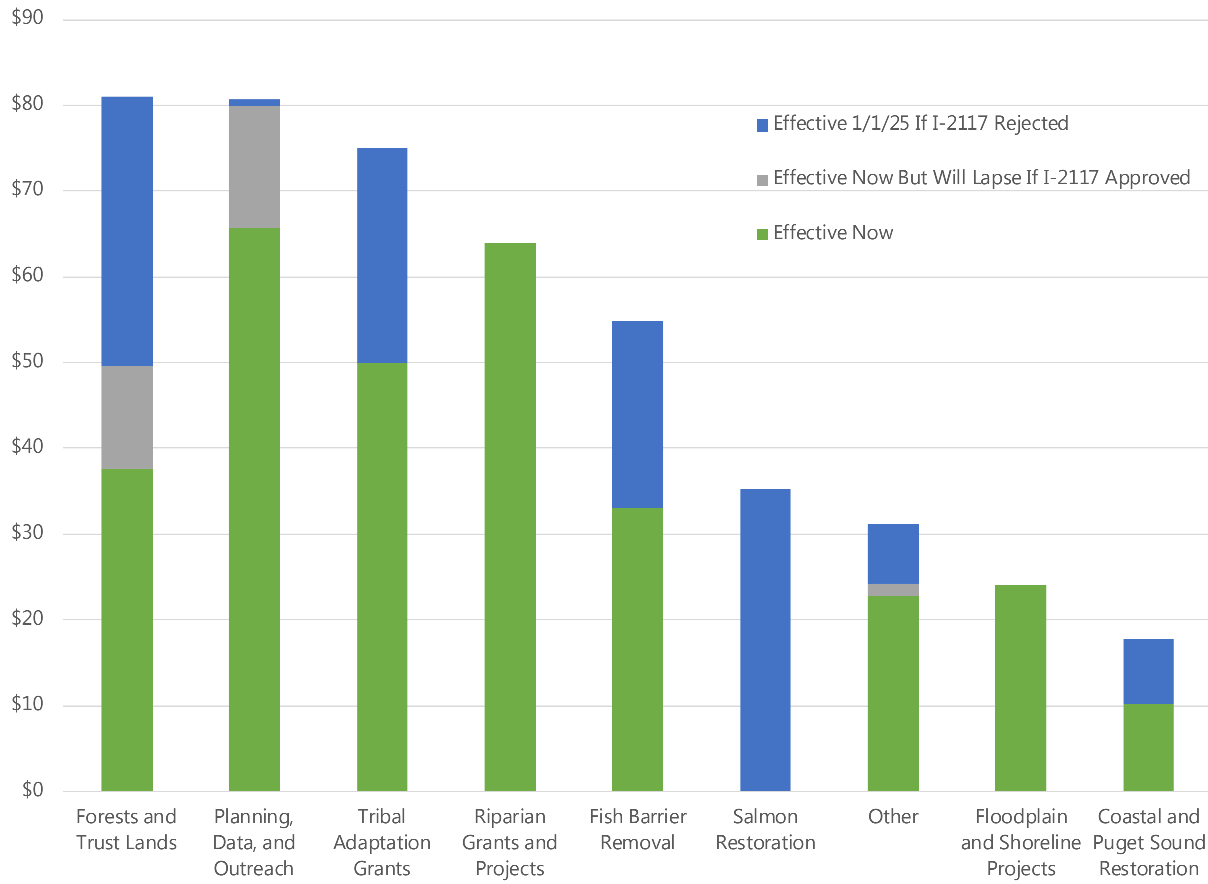
Chart 6: Clean Buildings (Dollars in Millions, 2023–25 CCA)



Clean Buildings. Appropriations total $558.0 million. Of that, $227.9 million (40.8%) is contingent on rejection of I-2117 and $250,000 is effective now but cannot be funded by the consolidated account.

- $80.0 million for heat pump and electric equipment rebates for low- and moderate-income households and small businesses (effective now).
- $55.0 million for building efficiency grants for affordable multifamily projects (effective 1/1/25).
- $35.0 million for financial assistance to low-income households for energy efficiency improvements (effective now).
- $35.0 million for an energy utility bill assistance program for low-income households (effective now).

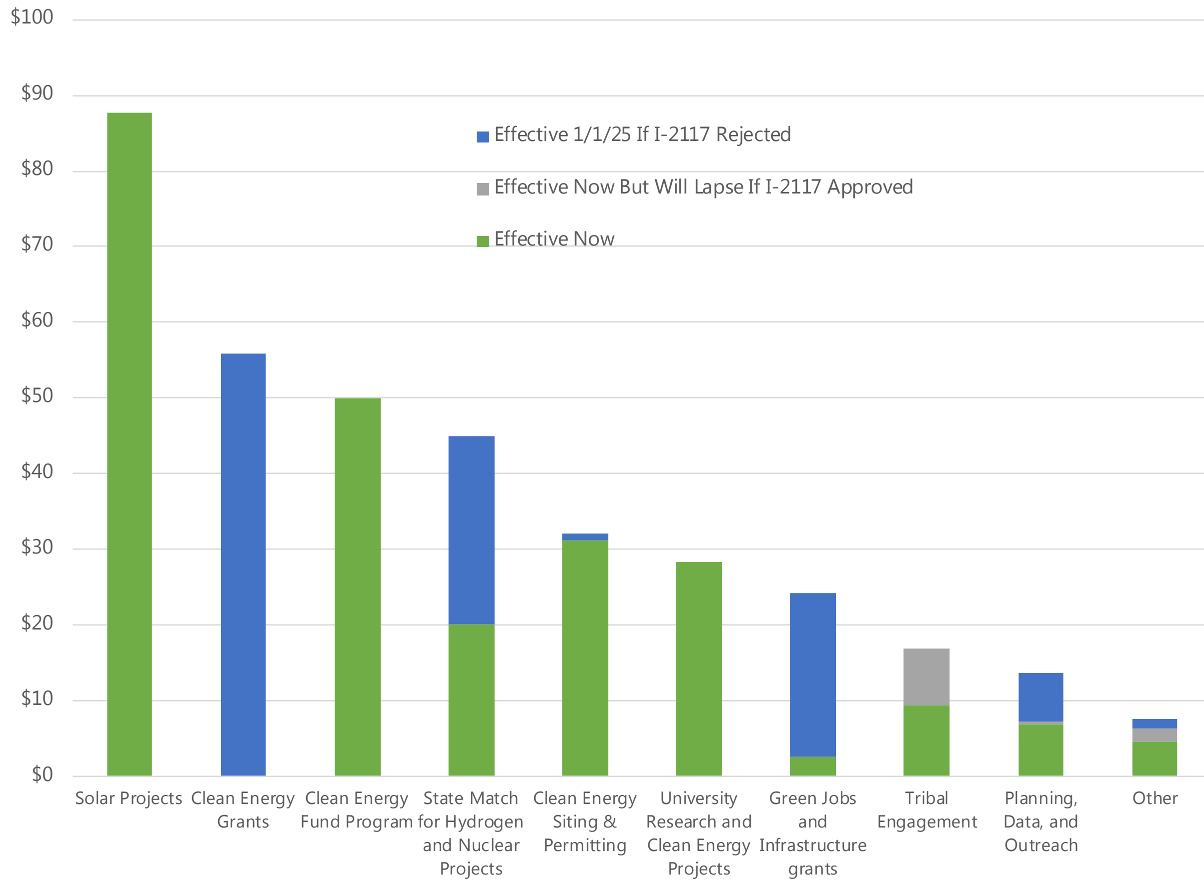
Chart 7: Addressing Climate Change Impacts (Dollars in Millions, 2023–25 CCA)



Addressing Climate Change Impacts. Appropriations total $463.8 million. Of that, $128.7 million (27.8%) is contingent on rejection of I-2117 and $27.6 million (6.0%) is effective now but cannot be funded by the consolidated account.

- $51.0 million for grants to help cities and counties incorporate climate change into their growth management act planning (effective now, but $10.0 million of the total cannot be funded with the consolidated account).
- $50.0 million for tribal climate adaptation pass-through grants (effective now).
- $41.8 million for Brian Abbott Fish Barrier Removal Board projects ($21.1 million is effective now and $20.7 million is effective 1/1/25).

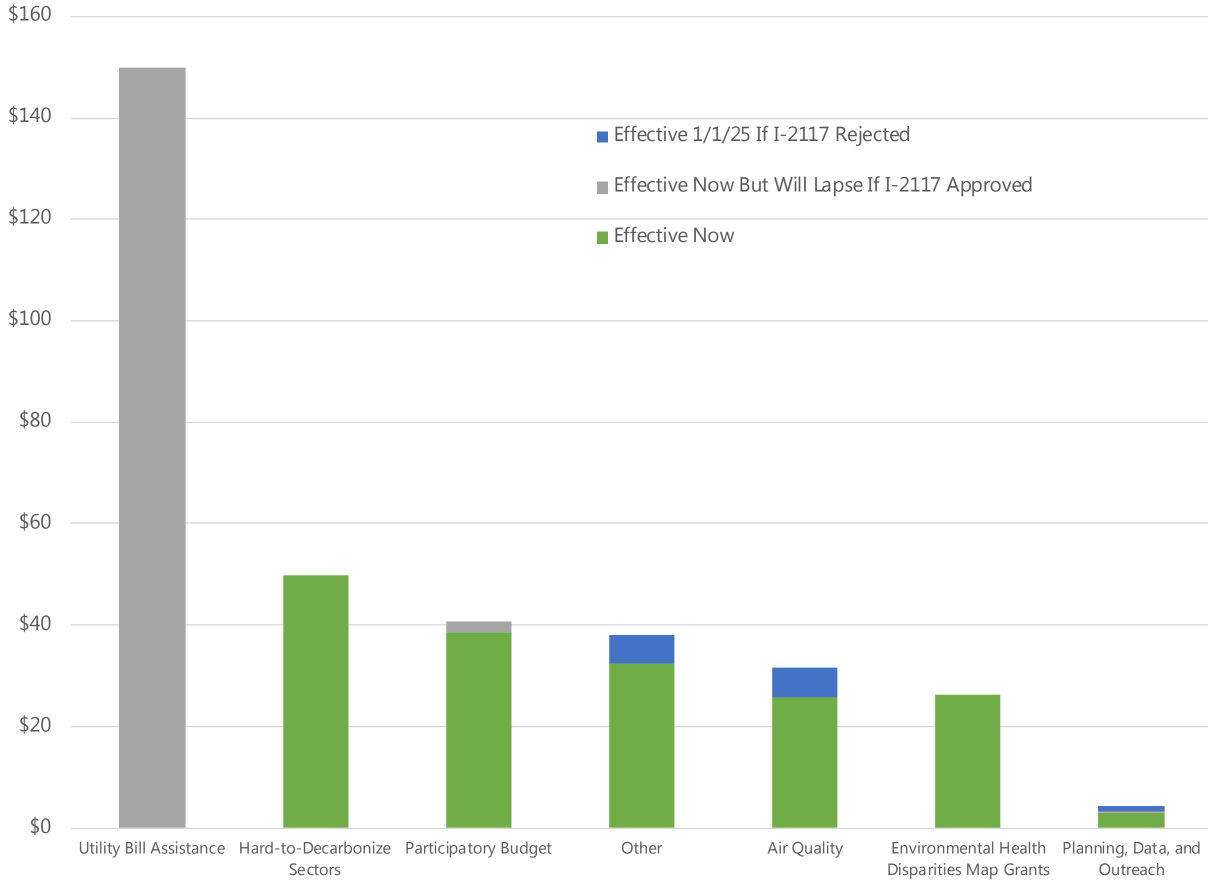
Chart 8: Clean Energy Development, Siting, and Transmission (Dollars in Millions, 2023–25 CCA)



Clean Energy Development, Siting, and Transmission. Appropriations total $361.1 million. Of that, $111.3 million (30.8%) is contingent on rejection of I-2117, $4.7 million is effective now but cannot be funded by the consolidated account, and $5.0 million is effective now but will lapse if I-2117 is approved.

- $50.0 million for clean energy community grants (effective 1/1/25).
- $38.0 million for community solar resilience hubs (effective now).
- $25.0 million for the state match for Energy Northwest's nuclear project application (effective 1/1/25).
- $21.5 million for clean technology manufacturing workforce grants (effective 1/1/25).

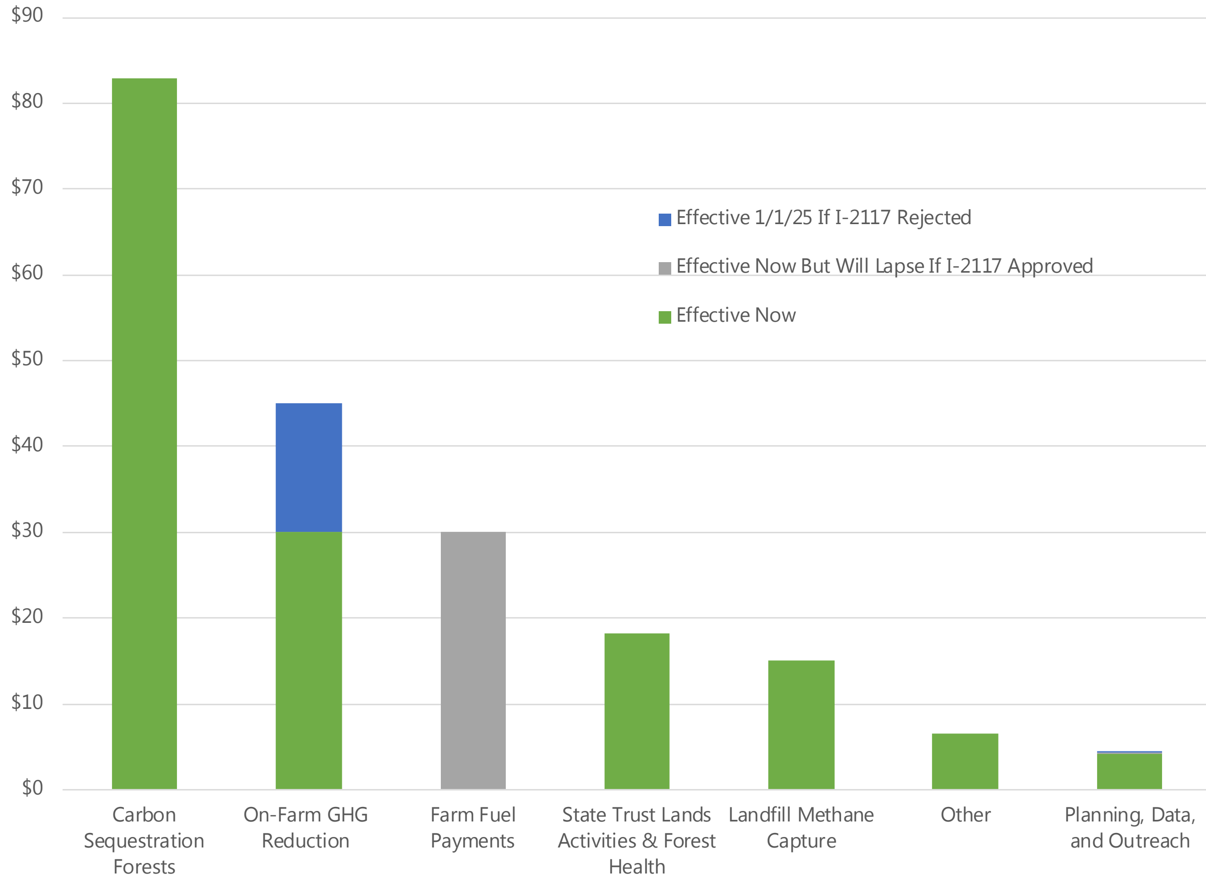
Chart 9: Environmental Justice (Dollars in Millions, 2023–25 CCA)



Environmental Justice. Appropriations total $340.8 million. Of that, $12.6 million (3.7%) is contingent on rejection of I-2117 and $152.4 million (44.7%) is effective now but cannot be funded by the consolidated account.

- $150.0 million for one-time $200 utility bill credits for low- and moderate-income residential electricity customers, to be spent by Sept. 15, 2024 (effective now, but cannot be funded by the consolidated account).
- $49.8 million for grants to reduce emissions in hard-to-decarbonize sectors (effective now).
- $32.6 million for grants for overburdened communities following a participatory budget process (effective now).
- $26.4 million for capacity grants for tribal and community participation in updating the environmental health disparities map (effective now).

Chart 10: Agriculture, Sequestration & Methane Reduction (Dollars in Millions, 2023–25 CCA)



Agriculture, Sequestration, and Methane Reduction. Appropriations total $202.3 million. Of that, $15.1 million (7.5%) is contingent on rejection of I-2117 and $30.3 million (15.0%) is effective now but cannot be funded by the consolidated account.

- $70.0 million for the Department of Natural Resources to buy carbon sequestration and storage property (effective now).
- $30.0 million for payments to farm fuel users and transporters who are exempt from CCA (effective now but cannot be funded by the consolidated account).
- $22.0 million for cost share agreements with dairy farms for anaerobic digester development (effective now).

Comment

CCA funding is a key part of the 2022 transportation revenue package, but the upside of increased auction revenues has not gone to transportation. Instead, the Legislature has funneled more into clean buildings, addressing climate change impacts, clean energy, environmental justice, and agriculture.

The $2.149 billion that the state has collected so far from the CCA auctions (plus whatever is collected from the September 2024 auction) will be spent regardless of whether I-2117 is approved or rejected. However, regardless of I-2117's fate, appropriations exceed currently expected revenues. Consequently, even though the Legislature made $704.5 million (21.7% of 2023–25 CCA appropriations) contingent on rejection of I-2117, it will need to adjust CCA appropriations next year (unless future auctions come in higher than forecast).

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Appendix

Table A1: CCA Spending and Appropriations by Budget and Account (Dollars in Thousands)

	Carbon Emissions Reduction Account	Climate Active Transportation Account	Climate Transit Programs Account	Air Quality & Health Disparities Improvement Account	Climate Investment Account	Climate Commitment Account	Natural Climate Solutions Account	**Total Climate Commitment Act**
Actual 2021-23 Spending								
Operating Budget	$0	$0	$0	$0	$1,685	$0	$0	$1,685
Transportation Budget	$0	$3,203	$49,345	$0	$0	$0	$0	$52,548
Capital Budget	$0	$0	$0	$0	$0	$0	$0	$0
Total	*$0*	*$3,203*	*$49,345*	*$0*	*$1,685*	*$0*	*$0*	*$54,234*
Revised 2023-25 Appropriations								
Operating Budget	$0	$0	$0	$0	$93,938	$502,610	$95,587	$692,135
Transportation Budget	$551,392	$190,509	$410,645	$0	$0	$0	$0	$1,152,546
Capital Budget	$0	$0	$0	$21,800	$0	$1,016,869	$366,899	$1,405,568
Total	*$551,392*	*$190,509*	*$410,645*	*$21,800*	*$93,938*	*$1,519,479*	*$462,486*	*$3,250,249*
Total Spent or Appropriated To Date								
Operating Budget	$0	$0	$0	$0	$95,623	$502,610	$95,587	$693,820
Transportation Budget	$551,392	$193,712	$459,990	$0	$0	$0	$0	$1,205,094
Capital Budget	$0	$0	$0	$21,800	$0	$1,016,869	$366,899	$1,405,568
Total	***$551,392***	***$193,712***	***$459,990***	***$21,800***	***$95,623***	***$1,519,479***	***$462,486***	***$3,304,483***

Table A2: 2023–25 CCA Appropriations by Budget, Account, and Contingency (Dollars in Thousands)

	Carbon Emissions Reduction Account	Climate Active Transportation Account	Climate Transit Programs Account	Air Quality & Health Disparities Improvement Account	Climate Investment Account	Climate Commitmen t Account	Natural Climate Solutions Account	**Total Climate Commitment Act**
Operating Budget								
Effective Now	$0	$0	$0	$0	$53,703	$288,694	$78,181	$420,578
Effective Now But Will Lapse If I-2117 Approved	$0	$0	$0	$0	$36,448	$182,943	$16,200	$235,591
Effective 1/1/25 If I-2117 Rejected	$0	$0	$0	$0	$3,787	$30,973	$1,206	$35,966
Total	*$0*	*$0*	*$0*	*$0*	*$93,938*	*$502,610*	*$95,587*	*$692,135*
Transportation Budget								
Effective Now	$347,652	$190,509	$410,645	$0	$0	$0	$0	$948,806
Effective Now But Will Lapse If I-2117 Approved	$0	$0	$0	$0	$0	$0	$0	$0
Effective 1/1/25 If I-2117 Rejected	$203,740	$0	$0	$0	$0	$0	$0	$203,740
Total	*$551,392*	*$190,509*	*$410,645*	*$0*	*$0*	*$0*	*$0*	*$1,152,546*
Capital Budget								
Effective Now	$0	$0	$0	$21,800	$0	$685,907	$233,039	$940,746
Effective Now But Will Lapse If I-2117 Approved	$0	$0	$0	$0	$0	$0	$0	$0
Effective 1/1/25 If I-2117 Rejected	$0	$0	$0	$0	$0	$330,962	$133,860	$464,822
Total	*$0*	*$0*	*$0*	*$21,800*	*$0*	*$1,016,869*	*$366,899*	*$1,405,568*
Total								
Effective Now	$347,652	$190,509	$410,645	$21,800	$53,703	$974,601	$311,220	$2,310,130
Effective Now But Will Lapse If I-2117 Approved	$0	$0	$0	$0	$36,448	$182,943	$16,200	$235,591
Effective 1/1/25 If I-2117 Rejected	$203,740	$0	$0	$0	$3,787	$361,935	$135,066	$704,528
Total	***$551,392***	***$190,509***	***$410,645***	***$21,800***	***$93,938***	***$1,519,479***	***$462,486***	***$3,250,249***

Appendix: Allowable Uses of the CCA Accounts

Carbon Emissions Reduction Account (CERA). Auction revenues are first used to help fund the 2022 Move Ahead Washington transportation package. Up to $5.2 billion of CCA revenues will be used for this purpose through 2037. Statute specifies the dollar amount that will be transferred to the CERA each year. (The amount was $127.3 million for 2023 and $723.3 million for 2023–25.) Beginning in 2038, the first 50% of auction revenues will be deposited in the CERA. (RCW 70A.65.100)

By statute, CERA expenditures "are intended to affect reductions in transportation sector carbon emissions through a variety of carbon reducing investments" (RCW 70A.65.240). These include active transportation, transit, alternative fuel and electrification, ferries, and rail. Expenditures explicitly may not be used for highway purposes (except ferries).

After 2023–25, 56% of CERA revenues must be transferred to the climate transit programs account and 24% of CERA revenues must be transferred to the climate active transportation account.

Air Quality and Health Disparities Improvement Account (AQHDIA). Statute specifies that the Legislature intends to dedicate $20.0 million a biennium from auction proceeds to this account. Expenditures may be used to improve air quality and reduce health disparities in overburdened communities. The 2023 supplemental operating budget directed $20.0 million to the AQHDIA, but the 2023–25 biennial operating budget transferred just $5.0 million to the account. (RCW 70A.65.280)

Climate Investment Account (CIA). After the CERA and AQHDIA transfers, the remaining auction proceeds go to the CIA. Expenditures must be used to "achieve the purposes of the greenhouse gas emissions cap and invest program" and for certain tribal capacity grants (RCW 70A.65.250). Further, during 2023–25, the account may be used for additional tribal capacity grants and to make payments to farm fuel purchasers. After appropriations are made from the CIA, 75% of remaining funds each year must be transferred to the climate commitment account and 25% must be transferred to the natural climate solutions account. During 2023–25, the state may transfer funds from the CIA to the CERA. (RCW 70A.65.250)

Climate Commitment Account. Generally, this account may be used to mitigate the impacts of carbon emissions on communities; to deploy renewable energy; to increase industrial, building, and agricultural energy efficiency and decarbonization; and to assist workers and low-income people. (RCW 70A.65.260)

Allowable uses include (but are not limited to):

- Implementing the working families' tax credit;
- Grants to local governments for growth management planning;
- Programs that reduce and mitigate impacts from greenhouse gases in overburdened communities;
- Programs that deploy renewable energy resources, distributed generation, and grid modernization;
- Programs that increase energy efficiency or reduce greenhouse gas emissions of industrial facilities;
- Programs that reduce emissions in agriculture;
- Programs that increase energy efficiency in buildings;

Appendix: Allowable Uses of the CCA Accounts, Continued

- Decarbonization of buildings;
- Programs that improve energy efficiency and investments in high efficiency electric appliances and heating equipment;
- Programs that assist affected workers or people with lower incomes during the transition to a clean energy economy;
- Programs that expand clean manufacturing capacity;
- Programs that reduce landfill emissions;
- Carbon dioxide removal projects; and
- Activities to mitigate the effects of climate change on Indian tribes.

Additionally, during 2023–25, the account may be used for environmental justice activities. (RCW 70A.65.260)

Natural Climate Solutions Account. This account must be used to increase climate resilience. Generally, it may be used for fish passage barrier removal, to reduce flood risk, to improve aquatic habitat, to increase forest resilience to wildfire, and to improve forest health. (RCW 70A.65.270)

Allowable uses include:

- Restoration and protection of estuaries, fisheries, and marine shoreline habitats (including fish passage barrier removal);
- Carbon storage in the ocean or aquatic and coastal ecosystems;
- Remediation and adaptation to ocean acidification;
- Reduce flood risk;
- Increase sustainable supply of water and improve aquatic habitat;
- Stormwater infrastructure improvements;
- Carbon sequestration and storage in forests, wetlands, agricultural lands, or aquatic lands;
- Increase wildfire resilience;
- Improve forest health;
- Prevent emissions by preserving natural and working lands from development. (RCW 70A.65.270)

Climate Transit Programs Account. This account may be used for transit grant programs and other Move Ahead WA transit projects. After 2023–25, 56% of CERA revenues must be transferred to this account. (RCW 46.68.500)

Allowable uses include:

- Transit support grant program;
- Tribal transit mobility grants;

Appendix: Allowable Uses of the CCA Accounts, Continued

- Transit coordination grants;
- Special needs transit grants;
- Bus and bus facility grants;
- Green transit grants;
- Transportation demand management grants; and
- Move Ahead WA transit projects.

Climate Active Transportation Account. This account may be used for active transportation grant programs (e.g., safe routes to schools) and other Move Ahead WA pedestrian and bicycle programs. After 2023–25, 24% of CERA revenues must be transferred to this account. (RCW 46.68.490)

Allowable uses include:

- Safe routes to schools;
- School-based bike program;
- Bicycle and pedestrian grant program;
- Complete Streets grants program;
- Connecting Communities grant program; and
- Move Ahead WA bicycle or other active transportation projects.