Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Appropriations Committee

HB 2251

Brief Description: Concerning climate commitment act accounts.

Sponsors: Representatives Fitzgibbon, Gregerson, Parshley and Thomas.

Brief Summary of Bill

- Repeals three of the Climate Commitment Act (CCA) accounts and replaces them with a CCA Operating Account and a CCA Capital Account.
- Changes the distribution of CCA auction revenue into CCA accounts.
- Makes other changes related to the use of CCA funding, including modifying CCA spending goals and reporting.

Hearing Date: 1/19/26

Staff: Dan Jones (786-7118).

Background:

Climate Commitment Act Accounts.

The Climate Commitment Act (CCA) is a regulatory program for reducing greenhouse gas emissions, administered by the Department of Ecology (Ecology). Entities regulated under the CCA include certain facilities that emit or contribute to greenhouse gases exceeding 25,000 metric tons of CO^2 equivalent per year. Covered entities must purchase allowances for their emissions at quarterly auctions. Revenue from these auctions is distributed to five accounts, each appropriated in one or more of the state's budgets and used for a number of purposes.

The Climate Investment Account (CIA) is appropriated in the operating budget and may be used

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for:

- projects and programs that achieve the purposes of the CCA;
- tribal capacity grants, which may be used for tribal consultation on CCA spending, developing tribal clean energy projects, or activities supporting climate resilience and adaptation;
- payments to agricultural fuel purchasers; and
- administration of the CCA, in an amount not to exceed 5 percent of CCA revenue.

The Climate Commitment Account (CCAcct) is appropriated in the operating and capital budgets and may be used for:

- the working families' tax credit;
- growth management planning;
- reducing the impacts of greenhouse gases and copollutants in overburdened communities, including air quality monitoring;
- renewable energy resources, such as solar and wind;
- reducing greenhouse gas emissions of industrial facilities;
- reducing greenhouse gas emissions in the agricultural sector;
- increasing energy efficiency in buildings;
- assisting workers or people with lower incomes during the transition to a clean energy economy, including improving energy affordability;
- expanding clean manufacturing;
- reducing emissions from landfills and waste-to-energy facilities;
- carbon dioxide removal;
- mitigating the effects of climate change affecting tribes; and
- through the 2025-27 biennium, environmental justice activities.

The Natural Climate Solutions Account (NCSA) is appropriated in the operating and capital budgets and may be used for:

- clean water investments;
- protecting estuaries, fisheries, and marine shoreline habitats;
- preparing for sea level rise;
- fish passage corrections;
- increasing carbon storage in the ocean or aquatic and coastal ecosystems;
- adapting to the impacts of ocean acidification;
- reducing flood risk;
- water supply and aquatic habitat;
- stormwater infrastructure;
- carbon sequestration;
- healthy forest investments;
- wildfire resilience;
- forest health; and
- preventing natural and working lands from the threat of conversion, including the Forestry Riparian Easement Program.

The Air Quality and Health Disparities Improvement Account (AQHDIA) may be used in the capital and transportation budgets for:

- improving air quality through the reduction of criteria pollutants, including air quality monitoring and the establishment of baseline data; and
- reducing health disparities in overburdened communities by reducing environmental harms and promoting environmental benefits.

The Carbon Emissions Reduction Account (CERA) is appropriated in the transportation budget and may be used for transportation carbon emission reduction purposes, including:

- active transportation;
- transit programs and projects;
- alternative fuel and electrification;
- ferries; and
- rail.

CCA Revenue Distribution.

Each fiscal year through fiscal year (FY) 2037, $359,117,000 of CCA auction revenue is distributed to CERA. The remainder is distributed to the CIA and AQHDIA, with the exact amounts being specified in budget bills. Beginning in FY 2038, 50 percent of CCA revenue is distributed to CERA, and the remainder is distributed to the CIA and AQHDIA.

Revenue distributed to the CIA is then distributed 75 percent to the CCAcct and 25 percent to the NCSA, after taking the amounts appropriated to the CIA into account.

CCA Spending and Reporting.

The CCA includes the following targets for spending from CCA accounts:

- a minimum of 35 percent (with a goal of 40 percent) that provides benefits to vulnerable populations within overburdened communities; and
- a minimum of 10 percent that is used for programs, activities, or projects formally supported by a tribe, especially projects administered or proposed by a tribe.

Ecology must report annually on CCA spending and associated reductions in greenhouse gas emissions. In the 2023-25 operating budget, Ecology was required to create a process to track the amount of agency expenditures that meet the above spending targets for overburdened communities and tribes.

The Environmental Justice Council (EJC) is administered by the Department of Health and advises certain agencies on incorporating environmental justice into agency activities. Agencies spending from CCA accounts must report to the EJC on progress toward meeting environmental justice and environmental health goals.

Environmental Justice Assessments (EJAs), which inform an agency's consideration of

overburdened communities in their decision making, are required when an agency spends from a CCA account. However, through the 2025-27 biennium, this requirement only applies to certain agencies that are otherwise required to conduct EJAs. Also through 2025-27, agencies must work with Ecology and the Office of Financial Management (OFM) to achieve the CCA's spending targets for overburdened communities and tribes, and a requirement to create community engagement plans only applies to certain agencies.

Summary of Bill:

CCA Accounts.

The CIA, NCSA, and CCAcct are repealed. The Climate Commitment Act Operating Account (Operating Account) and Climate Commitment Act Capital Account (Capital Account) are created. The remaining balance of the repealed accounts is transferred 80 percent to the Capital Account and 20 percent to CERA, to be used for infrastructure and incentives that support transportation electrification.

The Operating Account may be used in the operating budget and the Capital Account may be used in the capital budget for activities that reduce greenhouse gas emissions, increase resilience to the impacts of climate change, result in long-term environmental benefits, or otherwise achieve the purposes of the CCA.

Generally, the various allowable uses of the repealed accounts are recreated in one or both of the new accounts, with the following exceptions. The Operating Account:

- limits funding for Ecology's administrative costs to $25 million per fiscal year, adjusted by the fiscal growth factor;
- makes environmental justice activities an ongoing allowable use;
- adds electric vehicles and related costs, and alternative fuel as allowable uses; and
- removes payments to agricultural fuel purchasers as an allowable use.

The Capital Account adds the following allowable uses:

- electric vehicle infrastructure, including infrastructure in buildings; and
- housing that reduces commute times and distances for low-income households.

The AQHDIA may be used in the operating budget, in addition to the capital and transportation budgets.

CCA Revenue Distribution.

CCA revenue is distributed in one of two ways, depending on whether projected revenue to the state in Ecology's most recent baseline CCA forecast is above or below approximately $513 million for a given fiscal year.

In a fiscal year with projected revenue of $513 million or more:

- approximately $359 million is first deposited in CERA;
- $144 million is then deposited in the Operating Account;
- $10 million is then deposited in AQHDIA; and
- the remainder is deposited in the Capital Account.

In a fiscal year with projected revenue of less than $513 million:
- $25 million, increasing annually by the fiscal growth factor, is first deposited in the Operating Account; and
- the remainder is distributed 50 percent to CERA, 32 percent to the Capital Account, 17 percent to the Operating Account, and one percent to AQHDIA.

CCA Spending and Reporting.

The criteria for CCA spending that meets the 10 percent of investments supported by an Indian tribe is broadened to include a letter of support from an Indian tribe, funding provided to or requested by an Indian tribe, or similar expressions of support from an Indian tribe.

The timeframe for CCA spending that meets the 35 percent benefiting overburdened communities and 10 percent supported by a tribe is changed from each year to each biennium.

The frequency and due date of Ecology's report on CCA spending is changed from September of each year to December of each odd-numbered year. The report must also include information on expenditures that provide benefits to overburdened communities and expenditures that are supported by an Indian tribe, including:
- the amount of each expenditure that provides benefits to overburdened communities;
- an explanation of how the expenditure provides such benefits;
- the methods by which the agency identified the overburdened communities; and
- the amount of each expenditure used for activities supported by an Indian tribe.

State agency reporting to the EJC regarding environmental justice and environmental health goals is changed from annual to biennial.

The narrowing of EJAs related to CCA spending to only covered agencies and significant agency actions, the requirement that agencies work with Ecology and OFM to achieve the overburdened communities spending goal, and the narrowing of community engagement plan requirements are made ongoing, rather than limited to the 2023-25 and 2025-27 biennia.

Appropriation: None.

Fiscal Note: Requested on January 13, 2026.

Effective Date: The bill takes effect on July 1, 2027.