



Preliminary Regulatory Analyses:

Including the:

- Preliminary Cost-Benefit Analysis
- Least-Burdensome Alternative Analysis
- Administrative Procedure Act Determinations
- Regulatory Fairness Act Compliance

Chapter 173-446B WAC

Climate Commitment Act Funds Reporting

By

Kasia Patora
Emma Diamond

For the

Climate Pollution Reduction Program

Washington State Department of Ecology
Olympia, Washington

April 2024, Publication 24-14-043

Publication Information

This document is available on the Department of Ecology's website at:
<https://apps.ecology.wa.gov/publications/SummaryPages/2414043.html>

Contact Information

Climate Pollution Reduction Program

P.O. Box 47600

Olympia, WA 98504-6004

Phone: 360-407-6004

Website: [Washington State Department of Ecology](http://www.ecology.wa.gov)¹

ADA Accessibility

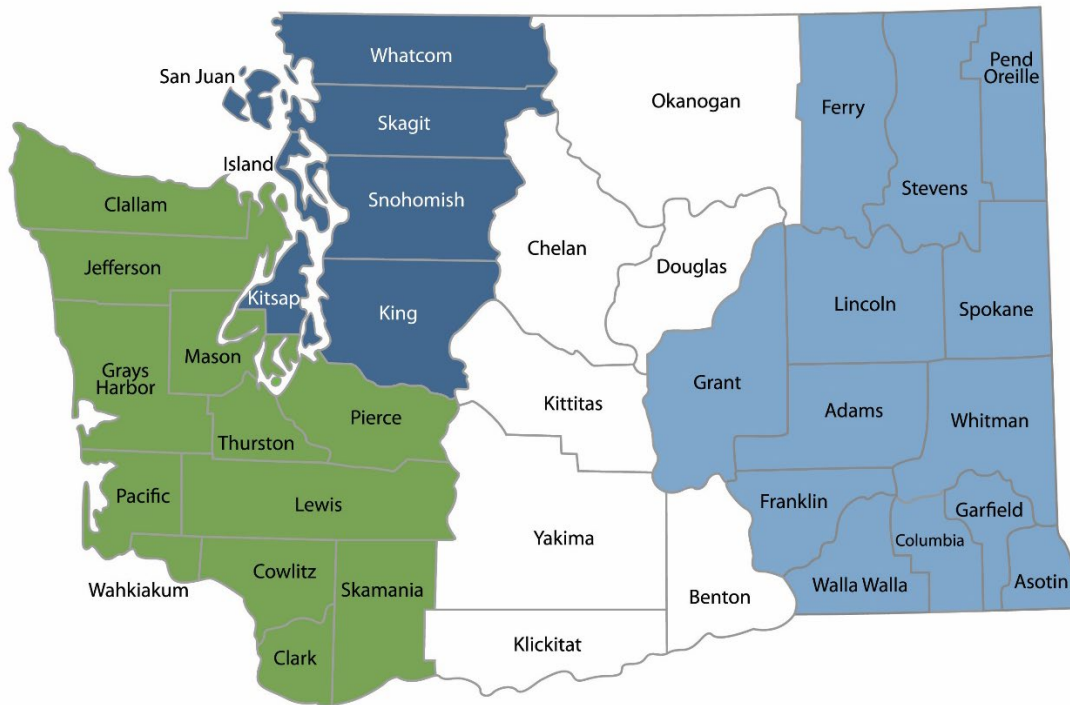
The Department of Ecology is committed to providing people with disabilities access to information and services by meeting or exceeding the requirements of the Americans with Disabilities Act (ADA), Section 504 and 508 of the Rehabilitation Act, and Washington State Policy #188.

To request an ADA accommodation, contact Ecology by phone at 360-407-6831 or email at ecyADAAccordinator@ecy.wa.gov. For Washington Relay Service or TTY call 711 or 877-833-6341. Visit Ecology's website for more information.

¹ www.ecology.wa.gov/contact

Department of Ecology's Regional Offices

Map of Counties Served



| | | | |
|---|---|---------------------------------------|---------------------------------------|
| Southwest Region 360-407-6300 | Northwest Region 206-594-0000 | Central Region 509-575-2490 | Eastern Region 509-329-3400 |
|---|---|---------------------------------------|---------------------------------------|

| Region | Counties served | Mailing Address | Phone |
|---------------------|--|--|--------------|
| Southwest | Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Mason, Lewis, Pacific, Pierce, Skamania, Thurston, Wahkiakum | P.O. Box 47775 Olympia, WA 98504 | 360-407-6300 |
| Northwest | Island, King, Kitsap, San Juan, Skagit, Snohomish, Whatcom | P.O. Box 330316 Shoreline, WA 98133 | 206-594-0000 |
| Central | Benton, Chelan, Douglas, Kittitas, Klickitat, Okanogan, Yakima | 1250 W Alder St Union Gap, WA 98903 | 509-575-2490 |
| Eastern | Adams, Asotin, Columbia, Ferry, Franklin, Garfield, Grant, Lincoln, Pend Oreille, Spokane, Stevens, Walla Walla, Whitman | 4601 N Monroe Spokane, WA 99205 | 509-329-3400 |
| Headquarters | Across Washington | P.O. Box 46700 Olympia, WA 98504 | 360-407-6000 |

Preliminary Regulatory Analyses

Including the:

Preliminary Cost-Benefit Analysis

Least-Burdensome Alternative Analysis

Administrative Procedure Act Determinations

Regulatory Fairness Act Compliance

Chapter 173-446B WAC, Climate Commitment
Act Funds Reporting

Climate Pollution Reduction Program
Washington State Department of Ecology

Olympia, WA

April 2024 | Publication 24-14-043



Table of Contents

| | |
|--|-----------|
| Table of Contents | 5 |
| Tables | 8 |
| Abbreviations and Acronyms | 9 |
| Executive Summary | 10 |
| Chapter 1: Background and Introduction | 16 |
| 1.1 Introduction | 16 |
| 1.1.1 Background | 16 |
| 1.1.2 CCA funding accounts | 17 |
| 1.2 Summary of the proposed rule..... | 19 |
| 1.3 Reasons for the proposed rule | 20 |
| 1.3.1 Reporting requirements: CCA law | 20 |
| 1.3.2 Reporting requirements: Operating budget | 20 |
| 1.4 Document organization | 21 |
| Chapter 2: Baseline and Proposed Rule | 22 |
| 2.1 Introduction | 22 |
| 2.2 Baseline..... | 22 |
| 2.3 Proposed rule..... | 24 |
| 2.3.1 Add definitions | 24 |
| 2.3.2 Set a deadline for Ecology notice to recipients | 27 |
| 2.3.3 Establish cases in which GHG emissions reduction reporting is required | 27 |
| 2.3.4 Add information that must be reported about appropriations | 29 |
| 2.3.5 Add information that must be reported about funding agreements | 32 |
| 2.3.6 Add information that must be reported about direct and meaningful benefits | 36 |
| 2.3.7 Add information that must be reported about changes over time | 38 |
| 2.3.8 Add information that must be reported about employment quality (CIA only) | 38 |
| 2.3.9 Exempt certain Tribal information from reporting | 39 |
| 2.3.10 Establish a process for identifying and approving GHG emissions reduction calculation methods and tools | 40 |
| Chapter 3: Likely Costs of the Proposed Rule | 41 |
| 3.1 Introduction | 41 |
| 3.2 Cost analysis..... | 41 |
| 3.2.1 Add definitions | 41 |
| 3.2.2 Set a deadline for Ecology notice to recipients | 41 |

| | |
|--|-----------|
| 3.2.3 Establish cases in which GHG emissions reduction reporting is required | 41 |
| 3.2.4 Add information that must be reported about appropriations | 42 |
| 3.2.5 Add information that must be reported about funding agreements | 47 |
| 3.2.6 Add information that must be reported about direct and meaningful benefits | 54 |
| 3.2.7 Add information that must be reported about changes over time | 56 |
| 3.2.8 Add information that must be reported about employment quality (CIA only) | 57 |
| 3.2.9 Exempt certain Tribal information from reporting | 57 |
| 3.2.10 Establish a process for identifying and approving GHG emissions reduction calculation methods and tools | 57 |
| 3.3 Scaling per-recipient costs | 58 |
| Chapter 4: Likely Benefits of the Proposed Rule | 59 |
| 4.1 Introduction | 59 |
| 4.2 Benefits analysis..... | 59 |
| 4.2.1 Add definitions | 59 |
| 4.2.2 Set a deadline for Ecology notice to recipients | 59 |
| 4.2.3 Establish cases in which GHG emissions reduction reporting is required | 60 |
| 4.2.4 Add information that must be reported about appropriations | 60 |
| 4.2.5 Add information that must be reported about funding agreements | 64 |
| 4.2.6 Add information that must be reported about direct and meaningful benefits | 69 |
| 4.2.7 Add information that must be reported about changes over time | 70 |
| 4.2.8 Add information that must be reported about employment quality (CIA only) | 71 |
| 4.2.9 Exempt certain Tribal information from reporting | 71 |
| 4.2.10 Establish a process for identifying and approving GHG emissions reduction calculation methods and tools | 71 |
| Chapter 5: Cost-Benefit Comparison and Conclusions | 75 |
| 5.1 Summary of costs and benefits of the proposed rule | 75 |
| 5.1.1 Costs | 75 |
| 5.1.2 Benefits | 75 |
| 5.2 Sources of uncertainty and variability | 77 |
| 5.3 Conclusion..... | 79 |
| Chapter 6: Least-Burdensome Alternative Analysis | 80 |
| 6.1 Introduction | 80 |
| 6.2 Goals and objectives of the authorizing statute..... | 80 |
| 6.3 Alternatives considered and why they were excluded..... | 81 |
| 6.3.1 Requiring the reporting of co-benefits of emissions reduction | 81 |
| 6.3.2 Not requiring reporting on the emissions reductions from climate resilience projects | 82 |
| 6.3.3 Requiring reporting on percentage of funding spent on administrative purposes | 82 |

| | |
|--|-----------|
| 6.3.4 Requiring reporting on how much funding was received from sources other than CCA funds | 82 |
| 6.3.5 Requiring reporting on the climate resiliency benefits of projects | 82 |
| 6.3.6 Removing the requirement for jobs reporting on CIA-funded projects | 82 |
| 6.3.7 Requiring reporting on job quality and quantity for projects funded by all accounts | 83 |
| 6.3.8 Not requiring reporting on qualitative data collected through engagement with affected overburdened communities | 83 |
| 6.3.9 Not requiring agencies to select which type of expenditure they funded in cases where they do not report on emissions reductions | 83 |
| 6.3.10 Not requiring agencies to let us know if there is not applicable methodology for calculating emissions reductions for their project | 83 |
| 6.4 Conclusion..... | 83 |
| Chapter 7: Regulatory Fairness Act Compliance | 84 |
| References | 85 |
| Appendix A: Administrative Procedure Act (RCW 34.05.328) Determinations | 87 |

Tables

Table 1. 20-year present value costs of the proposed rule, as compared to Baseline 1 (2024) .. 11

Table 2. 20-year present value costs of the proposed rule, as compared to Baseline 2 (2024) .. 11

Table 3. 20-year present value benefits of the proposed rule, as compared to Baseline 1 (2024)
..... 12

Table 4. 20-year present value benefits of the proposed rule, as compared to Baseline 2 (2024)
..... 13

Table 5. 20-year present value costs of the proposed rule, as compared to Baseline 1 (2024) .. 75

Table 6. 20-year present value costs of the proposed rule, as compared to Baseline 2 (2024) .. 75

Table 7. 20-year present value benefits of the proposed rule, as compared to Baseline 1 (2024)
..... 76

Table 8. 20-year present value benefits of the proposed rule, as compared to Baseline 2 (2024)
..... 76

Table 9. Sources of uncertainty and variability 78

Abbreviations and Acronyms

| | |
|-------------------|--|
| APA | Administrative Procedure Act |
| AQHDIA | Air Quality & Health Disparities Improvement Account |
| CARB | California Air Resources Board |
| CBA | Cost-Benefit Analysis |
| CCA | Climate Commitment Act |
| CERA | Carbon Emissions Reduction Account |
| CIA | Climate Investment Account |
| CO ₂ | Carbon dioxide |
| CO ₂ e | Carbon dioxide equivalent |
| EJC | (WA) Environmental Justice Council |
| GHG | Greenhouse gas |
| LBA | Least-Burdensome Alternative |
| MT | Metric tons |
| OFM | (WA) Office of Financial Management |
| PEAR | Pro-Equity Anti-Racism |
| RCW | Revised Code of Washington |
| RFA | Regulatory Fairness Act |
| WA | Washington State |
| WAC | Washington Administrative Code |
| WSDOT | Washington State Department of Transportation |

Executive Summary

This report presents the determinations made by the Washington State Department of Ecology as required under Chapters 34.05 RCW and 19.85 RCW, for the proposed Climate Commitment Act Funds Reporting rule (Chapter 173-446B WAC; the “rule”). This includes the:

- Preliminary Cost-Benefit Analysis (CBA)
- Least-Burdensome Alternative Analysis (LBA)
- Administrative Procedure Act Determinations
- Regulatory Fairness Act Compliance

The cap-and-invest program established under the Greenhouse Gas Emissions – Cap and Invest Program law (Chapter 70A.65 RCW; “CCA law”), and implemented through the Climate Commitment Act Program rule (Chapter 173-446 WAC; “CCA rule”), establishes a greenhouse gas (GHG) emissions trading market intended to help meet the state’s emission limits specified in RCW 70A.45.020. Auction revenues are collected in accounts created by the CCA law, and are appropriated by the state Legislature.

The CCA law also requires Ecology to establish reporting requirements in rule, for recipients that receive Cap and Invest auction revenue through appropriations from the funding accounts created by the CCA law, so Ecology can prepare annual reports to the state Legislature by September 30 of each year (RCW 70A.65.300).

Compared to the baseline of requirements in law, the proposed rule would:

- Add definitions.
- Set a deadline for Ecology to provide notice to recipients on how and when to report.
- Establish cases in which GHG emissions reduction reporting is required.
- Add information that must be reported by funding recipients about:
 - Appropriations.
 - Funding agreements.
 - Direct and meaningful benefits.
 - Changes over time.
 - Employment quality at projects funded by the Climate Investment Account.
- Exempt certain Tribal information from reporting.
- Establish processes for identifying and approving GHG emissions reduction calculation methods and tools.

Analytic approach and multiple baselines

We compared the proposed rule to the baseline, which consists of regulatory requirements in the absence of the proposed rule. The baseline includes:

- The CCA law (Chapter 70A.65 RCW).
- The 2023 – 2025 operating budget (5187-SE AMC CONF H2006.4).

Because some elements of the baseline are not specific in how they are to be implemented, we made two sets of assumptions about the baseline, and compared the proposed rule to both of them.

- Baseline 1: Assumes more or ongoing requirements for recipients. This allows us to estimate a low end for our overall range of impacts the proposed rule would have in comparison to the baseline.
- Baseline 2 assumes fewer requirements for recipients, or requirements that do not last as long. This allows us to estimate a high end for our overall range of impacts the proposed rule would have in comparison to the baseline.

Estimated costs of the proposed rule

We estimated the following costs would likely result from the proposed rule, as compared to Baseline 1. Baseline 1 differs from Baseline 2 (below) in the following ways:

- Including GHG emissions reduction calculation requirement for recipients.
- Ongoing requirement to report overburdened community impacts and formal Tribal support.

Table 1. 20-year present value costs of the proposed rule, as compared to Baseline 1 (2024)

| Cost category (Baseline 1) | Low | High |
|--|----------------------|----------------------|
| Notice to recipients deadline | \$0 | \$0 |
| Appropriation reporting | \$409,758 | \$694,804 |
| Funding agreement reporting | \$1,976,496 | \$3,351,438 |
| Overburdened communities and Tribal agreements | \$94,655 | \$189,310 |
| Changes over time | \$28,397 | \$56,793 |
| Climate Investment Account | \$2,734 | \$5,469 |
| GHG emissions reduction calculation methodology and tools (netted with benefits) | See Table 3 | See Table 3 |
| Total quantifiable present value: | \$2.5 million | \$4.3 million |

We estimated the following costs would likely result from the proposed rule, as compared to Baseline 2. Baseline 2 differs from Baseline 1 (above) in the following ways:

- GHG emissions reduction calculations performed by Ecology.
- Requirement to report overburdened community impacts and formal Tribal support stops after fiscal year 2025.

Table 2. 20-year present value costs of the proposed rule, as compared to Baseline 2 (2024)

| Cost category (Baseline 2) | Low | High |
|--|----------------------|----------------------|
| Notice to recipients deadline | \$0 | \$0 |
| Appropriation reporting | \$647,591 | \$1,275,605 |
| Funding agreement reporting | \$3,123,703 | \$6,152,972 |
| Overburdened communities and Tribal agreements | \$94,655 | \$189,310 |
| Changes over time | \$28,397 | \$56,793 |
| Climate Investment Account | \$2,734 | \$5,469 |
| GHG emissions reduction calculation methodology and tools (netted with benefits) | See Table 4 | See Table 4 |
| Total quantifiable present value: | \$3.9 million | \$7.7 million |

Estimated benefits of the proposed rule

We estimated the following benefits would likely result from the proposed rule, as compared to Baseline 1. Baseline 1 differs from Baseline 2 (below) in the following ways:

- Including GHG emissions reduction calculation requirement for recipients.
- Ongoing requirement to report overburdened community impacts and formal Tribal support.

Table 3. 20-year present value benefits of the proposed rule, as compared to Baseline 1 (2024)

| Benefit category (Baseline 1) | Low | High |
|--|----------------------|----------------------|
| Notice to recipients deadline | Qualitative* | Qualitative* |
| Appropriation reporting | \$406,345 | \$812,690 |
| Funding agreement reporting | \$1,997,480 | \$3,957,513 |
| Overburdened communities and Tribal agreements | Qualitative* | Qualitative* |
| Changes over time | Qualitative* | Qualitative* |
| Climate Investment Account | Qualitative* | Qualitative* |
| GHG emissions reduction calculation methodology and tools (net of costs) | 60% reduction | 83% reduction |
| Total quantifiable present value: | \$2.4 million | \$4.8 million |

* See discussion of qualitative benefits below

We estimated the following costs would likely result from the proposed rule, as compared to Baseline 2. Baseline 2 differs from Baseline 1 (above) in the following ways:

- GHG emissions reduction calculations performed by Ecology.
- Requirement to report overburdened community impacts and formal Tribal support stops after fiscal year 2025.

Table 4. 20-year present value benefits of the proposed rule, as compared to Baseline 2 (2024)

| Benefit category (Baseline 2) | Low | High |
|--|----------------------|----------------------|
| Notice to recipients deadline | Qualitative* | Qualitative* |
| Appropriation reporting | \$733,821 | \$1,370,119 |
| Funding agreement reporting | \$3,069,230 | \$6,138,461 |
| Overburdened communities and Tribal agreements | Qualitative* | Qualitative* |
| Changes over time | Qualitative* | Qualitative* |
| Climate Investment Account | Qualitative* | Qualitative* |
| GHG emissions reduction calculation methodology and tools (net of costs) | 60% reduction | 83% reduction |
| Total quantifiable present value: | \$3.8 million | \$7.5 million |

* See discussion of qualitative benefits below

Qualitative benefits

We identified the following qualitative benefits of the proposed rule. See chapter 4 for discussion of each of these benefits.

- At least one year of notice to recipients, to prepare for when and how to report.
- Mitigated GHG emissions impact reporting costs associated with project types exempt from emissions reporting.
- Additional recipient accountability for their emissions impacts and calculations.
- Additional recipient accountability related to identification and involvement of vulnerable populations and overburdened communities.
- Consistent future environmental justice transparency, accountability, and accuracy.
- Updated reporting information over time, for expenditures that choose to track this information, and the ability to reflect changes to project or program development, implementation, or impacts.
- Capturing additional information about high labor standards in employment funded from the Climate Investment Account.
- Avoided risk of disclosure of proprietary and cultural information that could affect Tribal interests, including property rights and treaty rights.
- Consistent GHG emissions reduction calculation methodology across similar projects, allowing for more appropriately comparable results.

CBA conclusion

We conclude, based on a reasonable understanding of the quantified and qualitative costs and benefits likely to arise from the proposed rule, as compared to the baseline, that the benefits of the proposed rule are greater than the costs.

Least-burdensome alternative

RCW 34.05.328(1)(c) requires Ecology to “...[d]etermine, after considering alternative versions of the rule and the analysis required under (b), (c), and (d) of this subsection, that the rule being

adopted is the least burdensome alternative for those required to comply with it that will achieve the general goals and specific objectives stated under (a) of this subsection.”

In other words, to be able to adopt the rule, we must determine that the requirements of the rule are the least burdensome set of requirements that achieve the goals and objectives of the authorizing statute(s).

We assessed alternative proposed rule content, and determined whether they met the goals and objectives of the authorizing statute(s). Of those that would meet the goals and objectives, we determined whether those chosen for inclusion in the proposed rule were the least burdensome to those required to comply with them.

We considered the following alternative rule requirements and did not include them in the proposed rule. This list includes alternatives that were suggested by the public during development of the rule, with the intent of mitigating negative impacts, including environmental harms, on vulnerable populations and overburdened communities, and equitably distributing benefits.

- Requiring the reporting of co-benefits of emissions reduction.
- Not requiring reporting on the emissions reductions from climate resilience projects.
- Requiring reporting on percentage of funding spent on administrative purposes.
- Requiring reporting on how much funding was received from sources other than CCA funds.
- Requiring reporting on the climate resiliency benefits of projects.
- Removing the requirement for jobs reporting on CIA-funded projects.
- Requiring reporting on job quality and quantity for projects funded by all accounts.
- Not requiring reporting on qualitative data collected through engagement with affected overburdened communities.
- Not requiring agencies to select which type of expenditure they funded in cases where they do not report on emissions reductions.
- Not requiring agencies to let us know if there is not applicable methodology for calculating emissions reductions for their project.

LBA conclusion

After considering alternatives, within the context of the goals and objectives of the authorizing statute, we determined that the proposed rule represents the least-burdensome alternative of possible rule requirements meeting the goals and objectives.

RFA compliance

The only entities required to comply with the proposed rule are the recipients of appropriations from the CCA accounts. These entities are government agencies and universities. Recipients may, in turn, choose to have some of the underlying work done by their sub-recipients, but the

proposed rule does not apply any requirements to those entities. Therefore, this rule does not impose compliance costs on small businesses, and this rulemaking is exempt from analysis under the Regulatory Fairness Act (Chapter 19.85 RCW) according to RCW 19.85.025(4) which states, “This chapter does not apply to the adoption of a rule if an agency is able to demonstrate that the proposed rule does not affect small businesses.”

Chapter 1: Background and Introduction

1.1 Introduction

This report presents the determinations made by the Washington State Department of Ecology as required under Chapters 34.05 RCW and 19.85 RCW, for the proposed Climate Commitment Act Funds Reporting rule (Chapter 173-446B WAC; the “rule”). This includes the:

- Preliminary Cost-Benefit Analysis (CBA)
- Least-Burdensome Alternative Analysis (LBA)
- Administrative Procedure Act Determinations
- Regulatory Fairness Act Compliance

The Washington Administrative Procedure Act (APA; RCW 34.05.328(1)(d)) requires Ecology to evaluate significant legislative rules to “determine that the probable benefits of the rule are greater than its probable costs, taking into account both the qualitative and quantitative benefits and costs and the specific directives of the law being implemented.” Chapters 1 – 5 of this document describe that determination.

The APA also requires Ecology to “determine, after considering alternative versions of the rule...that the rule being adopted is the least burdensome alternative for those required to comply with it that will achieve the general goals and specific objectives” of the governing and authorizing statutes. Chapter 6 of this document describes that determination.

The APA also requires Ecology to make several other determinations (RCW 34.05.328(1)(a) – (c) and (f) – (h)) about the rule, including authorization, need, context, and coordination. Appendix A of this document provides the documentation for these determinations.

The Washington Regulatory Fairness Act (RFA; Chapter 19.85 RCW) requires Ecology to evaluate the relative impact of proposed rules that impose costs on businesses in an industry. It compares the relative compliance costs for small businesses to those of the largest businesses affected. Chapter 7 of this document documents that analysis, when applicable.

All determinations are based on the best available information at the time of publication. We encourage feedback (including specific data) that may improve the accuracy of this analysis.

1.1.1 Background

The cap-and-invest program established under the Greenhouse Gas Emissions – Cap and Invest Program law (Chapter 70A.65 RCW; “CCA law”), and implemented through the Climate Commitment Act Program rule (Chapter 173-446 WAC; “CCA rule”), establishes a greenhouse gas (GHG) emissions trading market intended to help meet the state’s emission limits specified in RCW 70A.45.020. Auction revenues are collected in accounts created by the CCA law², and are appropriated by the state Legislature.

² Note that some funds in these CCA accounts are then allocated to transportation-related sub-accounts.

The CCA law also requires Ecology to establish reporting requirements in rule, for recipients that receive Cap and Invest auction revenue through appropriations from the funding accounts created by the CCA law, so Ecology can prepare an annual report to the state Legislature by September 30 of each year (RCW 70A.65.300).

1.1.2 CCA funding accounts

CCA auction revenues are placed in the following accounts. The law requires Ecology to complete an annual report to the Legislature about funding appropriated from these accounts. It also requires Ecology to adopt a rule requiring funding recipients to provide Ecology with sufficient information to complete its required reports.

1. **Carbon Emissions Reduction Account (RCW 70A.65.240):** Expenditures are intended to affect reductions in transportation sector emissions through carbon-reducing investments. Appropriations in an omnibus transportation appropriations act from the carbon emissions reduction account must exclusively fund:
 - Active transportation (e.g., walking, bicycling, using a wheelchair or other assistive device).
 - Transit programs and projects.
 - Alternative fuel and electrification.
 - Ferries.
 - Rail.

Some funds from this account are deposited into the Climate Active Transportation Account (24%) and Climate Transit Program Account (56%).

- **Climate Active Transportation Account (RCW 46.68.490):** Expenditures may only be used for the following active transportation grant programs, or other pedestrian and bicycle or other active transportation projects identified in an omnibus transportation appropriations act as Move Ahead WA projects:
 - Safe routes to schools.
 - School-based bike program.
 - Bicycle and pedestrian grant program.
 - Complete streets grant program.
 - Connecting communities grant program.
- **Climate Transit Programs Account (RCW 46.68.500):** Expenditures may only be used for the following grant transit programs or on transit projects identified in an omnibus transportation appropriations act as Move Ahead WA projects.
 - Transit support grant program.
 - Tribal transit mobility grants.

- Transit coordination grants.
 - Special needs transit grants.
 - Bus and bus facility grant program.
 - Green transit grants.
 - Transportation demand management grants.
2. **Climate Investment Account (RCW 70A.65.250):** Expenditures may only be used for projects and programs that achieve the purposes of the CCA program and for Tribal Capacity Grants. Projects or activities funded from this account must meet high labor standards, including:
- Family sustaining wages.
 - Benefits including healthcare and retirement plans.
 - Career development opportunities.

Projects or activities funded from this account must also maximize access to economic benefits for local workers and diverse businesses. The remaining funds in this account are divided into the Climate Commitment Account (75%) and Natural Climate Solutions Account (25%).

- **Climate Commitment Account (RCW 70A.65.260):** Projects, activities, and programs funded from this account must be physically located in Washington state and include, but are not limited to:
 - Implementing the Working Families Tax Credit.
 - Supplementing the Growth Management Planning and Environmental Review Fund.
 - Reducing and mitigating impacts from GHGs and co-pollutants in overburdened communities.
 - Deploying renewable energy resources, distributed generation, energy storage, demand-side technologies and strategies, and other grid modernization.
 - Increasing energy efficiency or reducing GHG emissions of industrial facilities.
 - Achieving energy efficiency or emissions reductions in the agricultural sector.
 - Increasing energy efficiency in buildings or promote low-carbon architecture.
 - Promoting electrification and decarbonization of buildings.

- Improving energy efficiency and investments in market transformation of high-efficiency electric appliances and equipment for space and water heating.
- Clean energy transition and assistance for affected workers or people with lower incomes.
- Reducing emissions from landfills and waste-to-energy facilities.
- Carbon dioxide (CO₂) removal.
- Supporting efforts to mitigate and adapt to the effects of climate change affecting Tribes.
- **Natural Climate Solutions Account (RCW 70A.65.270):** Funding from this account is intended to:
 - Increase the resilience of Washington waters, forests, and ecosystems to climate change.
 - Conserve working forestlands at risk of conversion.
 - Increase working forestland carbon pollution reduction capacity.

This funding must be spent in a manner consistent with climate risk and resilience science, and the expressed concerns of and impacts to overburdened communities, and may be allocated for various:

- Clean water investments that restore or protect habitats and prepare for sea level rise.
- Healthy forest investments to improve resilience to climate change.

3. **Air Quality and Health Disparities Improvement Account (RCW 70A.65.280):** Funding from this account is intended to:

- Improve air quality through reduction of criteria pollutants, including monitoring and establishing baseline emissions data.
- Reduce health disparities in overburdened communities.

This funding must result in long-term environmental benefits and increased resilience to climate change impacts.

None of the funds from any of the above accounts may be used for projects that would violate Tribal treaty rights or result in significant long-term damage to critical habitat or ecological functions.

1.2 Summary of the proposed rule

Compared to the baseline of requirements in law, the proposed rule would:

- Add definitions.
- Set a deadline for Ecology to provide notice to recipients on how and when to report.

- Establish cases in which GHG emissions reduction reporting is required.
- Add information that must be reported by funding recipients about:
 - Appropriations.
 - Funding agreements.
 - Direct and meaningful benefits.
 - Changes over time.
 - Employment quality at projects funded by the Climate Investment Account.
- Exempt certain Tribal information from reporting.
- Establish processes for identifying and approving GHG emissions reduction calculation methods and tools.

1.3 Reasons for the proposed rule

1.3.1 Reporting requirements: CCA law

The CCA law requires Ecology’s reports to the Legislature – about projects and activities funded through appropriations from CCA accounts – to identify, at a minimum:

- Funding recipients.
- Funding amounts.
- Purpose of the funding.
- End result or use of the funding.
- Whether the project that received the funding produced any reduction in GHG emissions or other long-term impact to emissions, and if so:
 - The quantity of GHG emissions reduced.
 - Cost per carbon dioxide equivalent metric ton (MT CO₂e) of GHG emissions reduced.
 - Comparison to other GHG emissions reduction projects.

The proposed rule details the information Ecology identified as necessary to fully inform reports to the Legislature about the use of funds from accounts created by the CCA law. This includes spending attributes and outcomes related to the goals and objectives of the CCA funding accounts.

1.3.2 Reporting requirements: Operating budget

The 2023 – 2025 WA state operating budget (5187-SE AMC CONF H2006.4) directs Ecology to, in consultation with the Office of Financial Management (OFM) and Environmental Justice Council (EJC), implement a process to track, summarize, and report on state agency expenditures from CCA accounts and whether they provided direct and meaningful benefits to

vulnerable populations in overburdened communities or were formally supported by a resolution of an Indian Tribe. This process must be incorporated into the tracking and reporting efforts discussed above in Section 3.3.2. The budget also requires:

- Incorporation of the Pro-Equity Anti-Racism (PEAR) plan and playbook, and Executive order 22-04.
- Specific information that agencies must report to Ecology, and that Ecology must track and report on, related to expenditures providing direct and meaningful benefits to vulnerable populations in overburdened communities.
- Ecology to report to the Legislature by September 30, 2024 and to provide recommendations for process improvements.

1.4 Document organization

The chapters of this document are organized as follows:

- **Chapter 2 - Baseline and the proposed rule:** Description and comparison of the baseline (what would occur in the absence of the proposed rule) and the proposed rule requirements.
- **Chapter 3 - Likely costs of the proposed rule:** Analysis of the types and sizes of costs we expect impacted entities to incur as a result of the proposed rule.
- **Chapter 4 - Likely benefits of the proposed rule:** Analysis of the types and sizes of benefits we expect to result from the proposed rule.
- **Chapter 5 - Cost-benefit comparison and conclusions:** Discussion of the complete implications of the CBA.
- **Chapter 6 - Least-Burdensome Alternative Analysis:** Analysis of considered alternatives to the contents of the proposed rule.
- **Chapter 7 - Regulatory Fairness Act Compliance:** When applicable. Comparison of compliance costs for small and large businesses; mitigation; impact on jobs.
- **Appendix A - APA Determinations:** RCW 34.05.328 determinations not discussed in chapters 5 and 6.

Chapter 2: Baseline and Proposed Rule

2.1 Introduction

We analyzed the impacts of the proposed rule within the context of all existing requirements (federal and state laws and rules). This context for comparison is called the baseline and reflects the most likely regulatory circumstances that entities would face if Ecology does not adopt the proposed rule.

2.2 Baseline

The baseline for our analyses generally consists of existing laws and rules. This is what allows us to make a consistent comparison between the state of the world with and without the proposed rule.

For this rulemaking, the baseline includes:

- **The CCA law (Chapter 70A.65 RCW):** As relevant to this rulemaking, the CCA law creates and defines the intent of each CCA account (sections 250 through 280; see Section 1.1.3, above, for details), and includes the following requirements related to spending and reporting.
 - RCW 70A.65.030:
 - Requires agencies to coordinate, with Ecology and the OFM, during the 2023-2025 biennium, regarding the allocation of funds from the CCA accounts to achieve at least 35 percent (and a goal of 40 percent) of total statewide spending from these accounts providing direct and meaningful benefits to vulnerable populations in overburdened communities.
 - Requires each state agency allocating funds from the above accounts, beginning in the 2025-2027 biennium, to achieve at least 35 percent (and a goal of 40 percent) providing direct and meaningful benefits to vulnerable populations in overburdened communities.
 - RCW 70A.65.230:
 - States Legislative intent that total investments made through the CCA accounts achieve:
 - At least 35 percent (and a goal of 40 percent) providing direct and meaningful benefits to vulnerable populations in overburdened communities.
 - At least 10 percent used for programs, activities, or projects formally supported by a resolution of an Indian Tribe, with priority given to projects directly administered or proposed by an Indian Tribe.
 - RCW 70A.65.300:

- Requires Ecology to prepare, post, and submit an annual report to the Legislature that identifies all distributions of funds from the accounts.
 - Identifies the minimum information the annual reports must identify.
 - Requires Ecology to adopt (in rule) reporting requirements for funding recipients that allow Ecology to complete the annual report.
 - Requires Ecology to update the above information on its website at least once per year.
- **The 2023 – 2025 operating budget (5187-SE AMC CONF H2006.4):** In Section 302(13), the Legislature provides additional direction:
 - Requiring Ecology, in consultation with the OFM and the EJC, to develop and implement a process to track, summarize, and report on state agency expenditures from CCA accounts that provide direct and meaningful benefits to vulnerable populations in overburdened communities, or formally supported by a resolution of an Indian Tribe.
 - Requiring Ecology to incorporate the above process into existing efforts to track CCA expenditures under RCW 70A.65.300.
 - Requiring Ecology to also incorporate the WA Pro-Equity Anti-Racism (PEAR) plan and playbook and Executive Order 22-04 (Implementing the Washington State Pro-Equity Anti-Racism (PEAR) Plan and Yearbook).
 - Requiring the information that agencies report to Ecology, and that Ecology tracks and reports on, to include at least:
 - Expenditure amount that provides direct and meaningful benefits to vulnerable populations in overburdened communities.
 - Explanation of how the expenditure provides those benefits.
 - Methods the agency used to identify which overburdened communities and vulnerable populations, and explanation of outcomes (including geographies of expenditure impacts and communities).
 - Expenditure amount used for programs, activities, or projects formally supported by a resolution of an Indian Tribe.
 - For expenditures that do not meet the above, or if it is unclear, an explanation of why.
 - Requiring Ecology, in consultation with the EJC and OFM, and in coordination with reporting under RCW 70A.65.300, to report the following to the Legislature by September 30, 2024.
 - A summary of the information reported by agencies.
 - Recommendations for process improvements, or amendments to:

- RCW 70A.65.030 (Environmental justice assessment under the CCA).
- RCW 70A.65.230 (Investments – Legislative intent – Evaluation).
- RCW 70A.02.080 (Environmental justice obligations of agencies relating to budgets and funding).
- Other relevant statutes.
- Recommendations must consider changes needed to ensure consistent tracking, including standardization or coordination of the:
 - Process of identifying overburdened communities.
 - Methods for determining direct and meaningful benefits to vulnerable populations or overburdened communities.

2.3 Proposed rule

Compared to the baseline, the proposed rule would:

- Add definitions.
- Set a deadline for Ecology to provide notice to recipients on how and when to report.
- Establish cases in which GHG emissions reduction reporting is required.
- Add information that must be reported by funding recipients about:
 - Appropriations.
 - Funding agreements.
 - Direct and meaningful benefits.
 - Changes over time.
 - Employment quality at projects funded by the Climate Investment Account.
- Exempt certain Tribal information from reporting.
- Establish processes for identifying and approving GHG emissions reduction calculation methods and tools.

2.3.1 Add definitions

Baseline

The CCA law includes definitions of the following terms related to funds reporting:

- “Direct and meaningful benefits” (defined in RCW 70A.65.030) as:
 - The direct reduction of environmental burdens in overburdened communities.
 - The reduction of disproportionate, cumulative risk from environmental burdens, including those associated with climate change.

- The support of community led project development, planning, and participation costs.
- Meeting a community need identified by the community that is consistent with the intent of this chapter or RCW 70A.02.010.
- “Greenhouse gas” (defined in RCW 70A.65.010) has the same meaning as in RCW 70A.45.010.
 - RCW 70A.45.010 defines “greenhouse gas” as including carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and any other gas or gases designated by Ecology by rule.
 - Per the above statute, Ecology defines “greenhouse gas” in the Reporting of Emissions of Greenhouse Gases rule (Chapter 173-441 WAC).
- “Overburdened community” (defined in RCW 70A.65.010) means a geographic area where vulnerable populations face combined, multiple environmental harms and health impacts or risks due to exposure to environmental pollutant or contaminants through multiple pathways, which may result in significant disparate adverse health outcomes of effects. “Overburdened community” includes, but is not limited to:
 - Highly impacted communities as defined in RCW 19.405.020 (in which “highly impacted community” means a community designated by the department of health based on cumulative impact analyses in RCW 19.405.140 or a community located in census tracts that are fully or partially on "Indian country" as defined in 18 U.S.C. Sec. 1151).
 - Populations, including Native Americans or immigrant populations, who may be exposed to environmental contaminants and pollutants outside of the geographic area in which they reside based on the populations' use of traditional or cultural foods and practices, such as the use of resources, access to which is protected under treaty rights in ceded areas, when those exposures in conjunction with other exposures may result in disproportionately greater risks, including risks of certain cancers or other adverse health effects and outcomes.

The law also notes that overburdened communities may include the same communities as those identified by Ecology through its process for identifying overburdened communities under RCW 70A.02.010.

- “Vulnerable populations” (defined in RCW 70A.65.010) has the same meaning as defined in RCW 70A.02.010 (which defines vulnerable populations as population groups that are more likely to be at higher risk for poor health outcomes in response to environmental harms, due to:
 - Adverse socioeconomic factors, such as unemployment, high housing and transportation costs relative to income, limited access to nutritious food and adequate health care, linguistic isolation, and other factors that negatively affect health outcomes and increase vulnerability to the effects of environmental harms; and

- Sensitivity factors, such as low birth weight and higher rates of hospitalization.

The law states that “vulnerable populations” include, but are not limited to:

- Racial or ethnic minorities.
- Low-income populations.
- Populations disproportionately impacted by environmental harms.
- Populations of workers experiencing environmental harms.

Proposed

The proposed rule would incorporate the baseline definitions above directly, including clarity in defining “greenhouse gas” directly as defined in Chapter 173-441 WAC.

It would also add definitions for the following terms:

- “Appropriation” means a single line-item of funding provided by the Washington State Legislature to a state agency or other entity, as set forth in an enacted operating, capital, or transportation budget, where such funding is distributed from one of the Climate Commitment Act accounts
- “Climate Commitment Act accounts” or “CCA accounts” means:
 - The Carbon Emissions Reduction Account created in RCW 70A.65.240;
 - The Climate Commitment Account created in RCW 70A.65.260;
 - The Natural Climate Solutions Account created in RCW 70A.65.270;
 - The Climate Investment Account created in RCW 70A.65.250;
 - The Air Quality and Health Disparities Improvement Account created in RCW 70A.65.280;
 - The Climate Transit Programs Account created in RCW 46.68.500;
 - The Climate Active Transportation Account created in RCW 46.68.490; and
 - Any other state treasury account(s) the legislature establishes specifically for the deposit of proceeds from the auction of allowances authorized in Chapter 70A.65 RCW.
- “Expenditure” (incorporating terminology from RCW 70A.65.300: “actual end result or use of funds”) means the actual end result or use of funds received through an appropriation of funding from one of the Climate Commitment Act accounts. A single appropriation may be used by a recipient to fund multiple distinct expenditures.
- “Long term impact to emissions” means emissions reductions calculated using methods described in the proposed rule.
- “Recipient” means the state agency or other entity that received an appropriation of funding from one of the climate commitment act accounts, irrespective of whether the state agency or other entity subsequently provides any of the funding to another entity.

- “Sub-recipient” means an entity that received pass-through funding from a recipient. Sub-recipients are not directly subject to the requirements of this rule, but recipients may include reporting requirements in their contracts with sub-recipients to assist the recipients in complying with reporting obligations.

Expected impact

We do not expect this element, in and of itself, to result in costs or benefits as compared to the baseline. Definitions used in other sections of the proposed rule result in costs and/or benefits where the terms are used in rule requirements. We analyze those impacts in each part of the rule as discussed below.

2.3.2 Set a deadline for Ecology notice to recipients

Baseline

The baseline does not set deadlines for agencies to submit reports to Ecology, nor does it set a deadline for Ecology to notify recipients of when and how they must submit their reports. It does, however, require Ecology to submit its report to the Legislature by September 30 of each year. For fiscal year 2025, the Supplemental Budget³ extended this deadline (for the fiscal year 2024 report) to November 30, 2024.

Proposed

The proposed rule would require Ecology to notify recipients of the manner and date by which they must submit their data for the upcoming fiscal year, by June 30 of each year.

Expected impact

We expect this element of the proposed rule to result in costs to Ecology (of annually notifying recipients). We also expect this element of the proposed rule to result in benefits of giving recipients at least one year of notice in preparation for their reporting.

2.3.3 Establish cases in which GHG emissions reduction reporting is required

Baseline

RCW 70A.65.300 requires Ecology to submit an annual report to the state Legislature that identifies all distributions of money from the CCA accounts. It also requires Ecology to adopt a rule requiring recipients of those funds to report information to Ecology, that Ecology will use in its report.

The law requires the annual report to identify whether the project that received the funding produced reduction in GHG emissions or other long-term impact to emissions. For projects that produce reduction in emissions, the law requires the annual report to include:

- The quantity of reduced GHG emissions.

³ Engrossed Substitute Senate Bill (ESSB) 5950, Sec. 912(5).

- The cost of the reduced GHG emissions, per metric ton of carbon dioxide equivalent (MT CO₂e).
- A comparison to other GHG emissions reduction projects.

Proposed

The proposed rule would require recipients to report whether the project that received the funding produced reduction in GHG emissions or other long-term impact to emissions, only if Ecology has approved a methodology and calculator tool for an applicable expenditure category (as described in the proposed rule).

It would also exempt some types of projects from reporting on whether the funding will produce any reduction in GHG emissions or other long-term impact to emissions. These specific exemptions include:

- Building awareness in or educating a community.
- Clean energy workforce development.
- Conducting administrative appeals.
- Conducting outreach in communities.
- Conducting research.
- Creating plans for future activities.
- Enhancing a recipient's or other entity's capacity to fulfill its mission.
- Enhancing or maintaining emergency response systems or procedures.
- Hiring agency staff.
- Providing technical assistance.
- Training new employees, sharing knowledge among staff, or building employees' skills.

Expected impact

We do not expect this element of the proposed rule to result in costs or benefits as compared to the baseline. The baseline sets requirements for information that must be reported if GHG or other long-term emissions impacts are expected, but does not further define where that expectation is reasonable or likely. The proposed rule effectively reduces this scope from all expenditures to those with an approved emissions calculation methodology and tool. It also excludes certain types of projects that are not likely to impact emissions.

As such, this part of the proposed rule mitigates the costs of the proposed rule by reducing the scope of emissions reduction reporting costs. We do not estimate this separately, and instead it is reflected in the costs we estimate for reporting impacts to GHG and other long-term emissions (see sections: 2.3.4 for appropriations reporting; 2.3.5 for funding agreement reporting; 2.3.7 for reporting changes over time, and 2.3.10 for working with Ecology on identifying and approving emissions reduction calculation methodologies and tools).

2.3.4 Add information that must be reported about appropriations

Baseline

RCW 70A.65.300 requires Ecology to submit an annual report to the state Legislature that identifies all distributions of money from the CCA accounts. It also requires Ecology to adopt a rule requiring recipients of those funds to report information to Ecology, that Ecology will use in its report. The law specifies the minimum information that the annual report must contain:

- Funding recipient.
- Funding amount.
- Funding purpose.
- Actual end result or use of the funding.
- Whether the project that received the funding produced reduction in GHG emissions or other long-term impact to emissions.

For projects that produce reduction in emissions, the law also requires the annual report to include:

- The quantity of reduced GHG emissions.
- The cost of the reduced GHG emissions, per metric ton (MT) of carbon dioxide equivalent (CO₂e), abbreviated “MT CO₂e”.
- A comparison to other GHG emissions reduction projects.

RCW 70A.65.230 also sets requirements related to allocation of funds from the following accounts to achieve at least 35 percent (with a goal of 40 percent) of the funds providing direct and meaningful benefits to vulnerable populations in overburdened communities:

- The accounts created by the CCA.
- Climate Transit Programs Account.
- Climate Active Transportation Account.

Requirements for reporting on direct and meaningful benefits begin with the 2023-2025 biennium, during which agencies must coordinate with Ecology and OFM to ensure the 35 percent requirement (with a 40 percent goal) above is met with respect to total statewide spending from CCA accounts. This is followed by a requirement for agencies to achieve the 35 percent requirement (with a 40 percent goal), beginning in the next biennium.

RCW 70A.65.230 states legislative intent that each year the total investments made through the CCA accounts:

- Achieve the 35 percent requirement (and 40 percent goal) above.
- Use at least 10 percent of total investments for programs, activities, or projects formally supported by a resolution of an Indian Tribe, with priority given to otherwise qualifying projects directly administered or proposed by an Indian Tribe.

The state Operating Budget for the 2023-2025 biennium (Chapter 475, Laws of 2023, Sec. 302(13)) requires Ecology to develop and implement a process to track, summarize, and report on state agency expenditures from CCA accounts. The Operating Budget requires this process to enable Ecology to track and report on at least the following, and Ecology must include a summary of this information in its report to the Legislature:

- Amount of each expenditure that provides direct and meaningful benefits to vulnerable populations in overburdened communities.
- Explanation of how it provides those benefits.
- Methods by which overburdened communities and vulnerable populations were identified, including the geographic area impacted (where relevant), and geographic boundaries of the overburdened communities.
- The amount of each expenditure used for programs, activities, or projects formally supported by a resolution of an Indian Tribe.
- Explanation of why expenditures did not provide direct and meaningful benefits to vulnerable populations in overburdened communities and were not formally supported by a Tribal resolution (if applicable).

Proposed

The proposed rule would require reporting of the information required under the baseline above, and add the following required information for appropriations:

- The title of the appropriation.
- Which CCA account(s) it is funded from.
- How much has been expended.
- The percent providing direct and meaningful benefits to vulnerable populations in overburdened communities.
- What direct and meaningful benefits were provided.
- Which overburdened communities were impacted.
- How members of vulnerable populations in the overburdened communities were involved in determining and measuring benefits provided.
- Any relevant and available qualitative information collected through engagement with vulnerable populations in the overburdened community.
- Which Tribe(s) formally supported the expenditure.
- If reducing GHG emissions or other long-term impact to emissions:⁴

⁴ Note that while the baseline requires this information to be included in Ecology's report to the Legislature, it does not specify whether Ecology or recipients provide this information.

- The quantity of emissions in CO₂e.
- The cost per MT CO₂e.
- If not reporting any reduction in emissions, indication of which exemption category in the proposed rule describes the expenditure (see Section 2.3.4, above).

Expected impact

We expect this element of the proposed rule to result in additional reporting costs associated with appropriations and direct expenditures:

- For administrative information, we expect costs associated with reporting information about the appropriation, which is known to the recipient.
- For emissions reduction information, we expect costs associated with calculating and reporting this information. Since the baseline requires this information to be included in Ecology’s report to the Legislature, we compare the proposed rule to two baseline options that depend on interpretation of the baseline requirements:
 1. The baseline requirements for Ecology’s report intend emissions impacts to be reported by recipients.
 2. The baseline requirements for Ecology’s report intend Ecology to calculate emissions impacts, based on information reported by recipients.
- For information about Tribes and overburdened communities, we expect costs associated with reporting this information. Since these baseline requirements are based in the Operating Budget, which only applies to fiscal years 2023-2025, we compare the proposed rule to two baseline options that depend on assumptions about the baseline beginning in 2026:
 1. Similar baseline requirements would be set in all subsequent operating budgets. Only the additional elements in the proposed rule would continue to result in costs.
 2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the proposed rule’s requirements related to vulnerable population and overburdened community reporting would result in costs. Costs would be associated with reporting:
 - Amount of each expenditure that provides direct and meaningful benefits to vulnerable populations in overburdened communities.
 - Explanation of how it provides those benefits.
 - Methods by which overburdened communities and vulnerable populations were identified, including the geographic area impacted (where relevant), and geographic boundaries of the overburdened communities.

- The amount of each expenditure used for programs, activities, or projects formally supported by a resolution of an Indian Tribe.
- Explanation of why expenditures did not provide direct and meaningful benefits to vulnerable populations in overburdened communities and were not formally supported by a Tribal resolution (if applicable).

Correspondingly, we expect this element of the proposed rule to result in benefits of:

- Administrative efficiency.
- Emissions calculation accuracy facilitated by direct knowledge of projects.
- Environmental justice accuracy, transparency, and accountability.
- Potential improvements in overburdened community and vulnerable population engagement and tracking.

We note that direct and meaningful benefits and formal Tribal support are also addressed under the baseline. The CCA law requires 35 percent of funds (with a goal of 40 percent) to provide direct and meaningful benefits to vulnerable populations in overburdened communities. It also establishes Legislative intent that at least 10 percent of total investments to go to programs, activities, or projects formally supported by a Tribal resolution. To know they are meeting the baseline requirements in the CCA law, agencies must already undertake efforts to identify what these benefits and support are, and whether the percentages of funding are meeting statutory targets.

2.3.5 Add information that must be reported about funding agreements

Baseline

RCW 70A.65.300 requires Ecology to submit an annual report to the state Legislature that identifies all distributions of money from the CCA accounts. It also requires Ecology to adopt a rule requiring recipients of those funds to report information to Ecology, that Ecology will use in its report. The law specifies the minimum information that the annual report must contain:

- Funding recipient.
- Funding amount.
- Funding purpose.
- Actual end result or use of the funding.
- Whether the project that received the funding produced reduction in GHG emissions or other long-term impact to emissions.

For projects that produce reduction in emissions, the law also requires the annual report to include:

- The quantity of reduced GHG emissions.

- The cost of the reduced GHG emissions, per metric ton (MT) of carbon dioxide equivalent (CO₂e), abbreviated “MT CO₂e”.
- A comparison to other GHG emissions reduction projects.

RCW 70A.65.300 also sets requirements related to allocation of the following funds to achieve at least 35 percent (with a goal of 40 percent) of the funds providing direct and meaningful benefits to vulnerable populations in overburdened communities:

- The five CCA accounts.
- Climate Transit Programs Account.
- Climate Active Transportation Account.

Requirements for reporting on direct and meaningful benefits begin with the 2023-2025 biennium, during which agencies must coordinate with Ecology and OFM to ensure the 35 percent requirement (with a 40 percent goal) above is met with respect to total statewide spending from the CCA accounts. This is followed by a requirement for agencies to achieve the 35 percent requirement (with a 40 percent goal), beginning in the next biennium.

RCW 70A.65.230 states legislative intent that each year the total investments made through the CCA accounts, Climate Transit Programs Account, and Climate Active Transportation Account:

- Achieve the 35 percent requirement (and 40 percent goal) above.
- Use at least 10 percent of total investments for programs, activities, or projects formally supported by a resolution of an Indian Tribe, with priority given to otherwise qualifying projects directly administered or proposed by an Indian Tribe.

The state Operating Budget for the 2023-2025 biennium (Chapter 475, Laws of 2023, Sec. 302(13)) requires Ecology to develop and implement a process to track, summarize, and report on state agency expenditures from CCA accounts. The Operating Budget requires this process to enable Ecology to track and report on at least the following, and Ecology must include a summary of this information in its report to the Legislature:

- Amount of each expenditure that provides direct and meaningful benefits to vulnerable populations in overburdened communities.
- Explanation of how it provides those benefits.
- Methods by which overburdened communities and vulnerable populations were identified, including the geographic area impacted (where relevant), and geographic boundaries of the overburdened communities.
- The amount of each expenditure used for programs, activities, or projects formally supported by a resolution of an Indian Tribe.
- Explanation of why expenditures did not provide direct and meaningful benefits to vulnerable populations in overburdened communities and were not formally supported by a Tribal resolution (if applicable).

Proposed

The proposed rule would require reporting of the information required under the baseline above, and add the following requirements for each funding agreement that passes funds through to sub-recipients:

- Appropriation title.
- Geographic location of the expenditure.
- How much of the appropriation's funding allocated to the agreement.
- How much has been expended.
- Name of the sub-recipient.
- Which Tribe(s) formally supported the funding agreement.
- If reducing GHG emissions or other long-term impact to emissions:⁵
 - The quantity of emissions in CO₂e.
 - The cost per MT CO₂e.
- The percent providing direct and meaningful benefits to vulnerable populations in overburdened communities.
- What direct and meaningful benefits were provided.
- Which overburdened communities were impacted.
- How members of vulnerable populations in the overburdened communities involved in determining and measuring benefits provided.
- Any relevant and available qualitative information collected through engagement with vulnerable populations in the overburdened community.
- If not reporting any reduction in emissions, indication of which exemption category in the proposed rule describes the expenditure (see Section 2.3.4, above).

Expected impact

We expect this element of the proposed rule to result in additional reporting costs associated with funding agreements:

- For administrative information, we expect costs associated with reporting information about each funding agreement, which are known to the recipient.
- For emissions reduction information, we expect costs associated with calculating and reporting GHG emissions reductions. Since the baseline requires this information to be included in Ecology's report to the Legislature, we compare the proposed rule to two baseline options that depend on interpretation of the baseline requirements:

⁵ Note that while the baseline requires this information to be included in Ecology's report to the Legislature, it does not specify whether Ecology or recipients provide this information.

1. The baseline requirements for Ecology's report intend emissions impacts to be reported by recipients.
 2. The baseline requirements for Ecology's report intend Ecology to calculate emissions impacts, based on information reported by recipients.
- For information about Tribes and overburdened communities, we expect costs associated with collecting this information and reporting it. This may entail altering contracts and requirements for sub-recipients, to be able to provide this information. Since these baseline reporting requirements are based in the Operating Budget, which only applies to fiscal years 2023-2025, we compare the proposed rule to two baseline options that depend on assumptions about the baseline beginning in 2026:
 1. Similar baseline requirements would be set in all subsequent operating budgets. Only the additional elements in the proposed rule would continue to result in costs.
 2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the proposed rule's requirements related to vulnerable population and overburdened community reporting would result in costs of reporting:
 - Amount of each expenditure that provides direct and meaningful benefits to vulnerable populations in overburdened communities.
 - Explanation of how it provides those benefits.
 - Methods by which overburdened communities and vulnerable populations were identified, including the geographic area impacted (where relevant), and geographic boundaries of the overburdened communities.
 - The amount of each expenditure used for programs, activities, or projects formally supported by a resolution of an Indian Tribe.
 - Explanation of why expenditures did not provide direct and meaningful benefits to vulnerable populations in overburdened communities and were not formally supported by a Tribal resolution (if applicable).

Correspondingly, we expect this element of the proposed rule to result in benefits of:

- Administrative efficiency.
- Environmental justice accuracy, transparency, and accountability.
- Potential improvements in overburdened community and vulnerable population engagement and tracking.

We note that direct and meaningful benefits and formal Tribal support are also addressed under the baseline CCA law, which states Legislative intent that at least 35 percent of funds (with a goal of 40 percent) will be used to provide direct and meaningful benefits to vulnerable populations in overburdened communities, and for at least 10 percent of total investments to go to programs, activities, or projects formally supported by a Tribal resolution. To know they

are meeting the baseline requirements in the CCA law, agencies must already undertake efforts to identify what these benefits and support are, and whether the percentages of funding are meeting statutory targets.

2.3.6 Add information that must be reported about direct and meaningful benefits

Baseline

RCW 70A.65.300 also sets requirements related to allocation of funds from the CCA accounts to achieve at least 35 percent (with a goal of 40 percent) of the funds providing direct and meaningful benefits to vulnerable populations in overburdened communities.

Requirements for reporting on direct and meaningful benefits begin with the 2023-2025 biennium, during which agencies must coordinate with Ecology and OFM to ensure the 35 percent requirement (with a 40 percent goal) above is met with respect to total statewide spending from the CCA accounts. This is followed by a requirement for agencies to achieve the 35 percent requirement (with a 40 percent goal), beginning in the next biennium.

RCW 70A.65.230 states legislative intent that each year the total investments made through the CCA accounts:

- Achieve the 35 percent requirement (and 40 percent goal) above.
- Use at least 10 percent of total investments for programs, activities, or projects formally supported by a resolution of an Indian Tribe, with priority given to otherwise qualifying projects directly administered or proposed by an Indian Tribe.

The state Operating Budget for the 2023-2025 biennium (Chapter 475, Laws of 2023, Sec. 302(13)) requires Ecology to develop and implement a process to track, summarize, and report on state agency expenditures from CCA accounts. The Operating Budget requires this process to enable Ecology to track and report on at least the following, and Ecology must include a summary of this information in its report to the Legislature:

- Amount of each expenditure that provides direct and meaningful benefits to vulnerable populations in overburdened communities.
- Explanation of how it provides those benefits.
- Methods by which overburdened communities and vulnerable populations were identified, including the geographic area impacted (where relevant), and geographic boundaries of the overburdened communities.
- The amount of each expenditure used for programs, activities, or projects formally supported by a resolution of an Indian Tribe.
- Explanation of why expenditures did not provide direct and meaningful benefits to vulnerable populations in overburdened communities and were not formally supported by a Tribal resolution (if applicable).

Proposed

The proposed rule would require reporting of the information required under the baseline above, and add the following requirements for each expenditure or funding agreement:

- The process(es) and/or methods used to identify overburdened communities and vulnerable populations.
- The data source, mapping tools, community consultation, or other methods used.
- The characteristics of vulnerable populations identified.

Expected impact

We expect the proposed rule to result in costs of providing the required supporting information for direct expenditures and funding agreements. This supporting information would already have been generated by recipients to ensure they are meeting the requirements of the baseline CCA law. Since the baseline reporting requirements are based in the Operating Budget, which only applies to fiscal years 2023-2025, we compare the proposed rule to two baseline options that depend on assumptions about the baseline beginning in 2026:

1. Similar baseline requirements would be set in all subsequent operating budgets. Only the additional elements in the proposed rule would continue to result in costs.
2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the proposed rule's requirements related to vulnerable population and overburdened community reporting would result in costs of reporting:
 - Amount of each expenditure that provides direct and meaningful benefits to vulnerable populations in overburdened communities.
 - Explanation of how it provides those benefits.
 - Methods by which overburdened communities and vulnerable populations were identified, including the geographic area impacted (where relevant), and geographic boundaries of the overburdened communities.
 - The amount of each expenditure used for programs, activities, or projects formally supported by a resolution of an Indian Tribe.
 - Explanation of why expenditures did not provide direct and meaningful benefits to vulnerable populations in overburdened communities and were not formally supported by a Tribal resolution (if applicable).

Correspondingly, we expect this element of the proposed rule to further support benefits of:

- Administrative efficiency.
- Environmental justice accuracy, transparency, and accountability.
- Potential improvements in overburdened community and vulnerable population engagement and tracking.

We note that direct and meaningful benefits and formal Tribal support are also addressed under the baseline CCA law, which states Legislative intent that at least 35 percent of funds

(with a goal of 40 percent) will be used to provide direct and meaningful benefits to vulnerable populations in overburdened communities, and for at least 10 percent of total investments to go to programs, activities, or projects formally supported by a Tribal resolution. To know they are meeting the baseline requirements in the CCA law, agencies must already undertake efforts to identify what these benefits and support are, and whether the percentages of funding are meeting statutory targets.

2.3.7 Add information that must be reported about changes over time

Baseline

In RCW 70A.65.300(2), the CCA law uses past tense regarding emissions reductions:

“The report must identify, at a minimum, the recipient of the funding, the amount of the funding, the purpose of the funding, the actual end result or use of the funding, whether the project that received the funding produced any verifiable reduction in greenhouse gas emissions or other long-term impact to emissions, and if so, the quantity of reduced greenhouse gas emissions, the cost per carbon dioxide equivalent metric ton of reduced greenhouse gas emissions, and a comparison to other greenhouse gas emissions reduction projects in order to facilitate the development of cost-benefit ratios for greenhouse gas emissions reduction projects.”

Proposed

The proposed rule would require recipients to report a summary of the following, only if they conduct ongoing tracking and monitoring for an expenditure included in prior annual reports.

- An explanation of whether the expenditure has been implemented as planned.
- Any changes to previously reported reductions of GHG emissions.
- Any changes to previously reported direct and meaningful benefits to vulnerable populations in overburdened communities.

Expected impact

We expect this element of the proposed rule to result in:

- Additional reporting costs, for agencies that already conduct ongoing tracking and monitoring for expenditures included in prior annual reports.
- Benefits of improved accuracy over time with regard to expenditure implementation, emissions impacts, and benefits to vulnerable populations in overburdened communities.

2.3.8 Add information that must be reported about employment quality (CIA only)

Baseline

The baseline does not include a specific requirement for agencies to report on the quality of labor positions created by their expenditures. However, RCW 70A.65.250 requires projects and activities funded from the Climate Investment Account (CIA) to meet high labor standards, including:

- Family sustaining wages.
- Providing benefits including health care and employer-contributed retirement plans.
- Career development opportunities.

Projects and activities must also maximize access to economic benefits from such projects for local workers and diverse businesses.

Under the law, each contracting entity's proposals must be reviewed for equity and opportunity improvement efforts, including:

- Employer paid sick leave programs.
- Pay practices in relation to living wage indicators such as the federal poverty level.
- Efforts to evaluate pay equity based on gender identity, race, and other protected status under Washington law.
- Facilitating career development opportunities, such as apprenticeship programs, internships, job-shadowing, and on-the-job training.
- Employment assistance and employment barriers for justice affected individuals.

Proposed

The proposed rule would require recipients of Climate Investment Account funds to report any available information related to the quantity and quality of jobs, apprenticeships, and/or internships created (if any) as a result of the expenditure(s) funded by the appropriation.

Expected impact

We expect this element of the proposed rule to result in reporting costs, and in benefits of consistency in ensuring projects funded by the CCA accounts are meeting their statutory goals.

2.3.9 Exempt certain Tribal information from reporting

Baseline

The baseline does not address the attributes of data reported by or about Tribes.

Proposed

The proposed rule would explicitly not require recipients or sub-recipients to provide data that a Tribe deems:

- Culturally sensitive.
- Confidential proprietary information.
- Intellectual property.

Expected impact

We do not expect any costs to result from this element of the proposed rule. We expect it to result in benefits of avoiding disclosure of information that may affect Tribal interests, including property and treaty rights.

2.3.10 Establish a process for identifying and approving GHG emissions reduction calculation methods and tools

Baseline

The baseline does not specifically address GHG emissions reduction calculation methods and tools.

Proposed

For each category of expenditure that is expected to produce reductions in GHG emissions or other long-term impacts to emissions, the proposed rule would set requirements for Ecology, in consultation with recipients, to either:

- Identify appropriate California Air Resources Board (CARB) methodology and calculator tools, and adapt the inputs for Washington;
- Adapt a CARB methodology and tool;
- Develop an appropriate methodology; or
- Locate a methodology from another source that is of the same or better quality than CARB methods.

The proposed rule would also require Ecology to approve methodologies and calculator tools, and to post them on the Ecology website for use by recipients.

Recipients expecting their expenditures to result in emissions reductions, but for which there is not an Ecology-approved methodology and tool, would be required to notify Ecology.

Expected impact

We expect this element of the proposed rule to result in notification costs, as well as costs of providing information and working with Ecology in collaboration to facilitate the development and approval of appropriate GHG methodologies and calculators. We expect this process to mitigate costs associated with agencies individually developing various emissions calculation methods, and result in more accurate emissions calculations that are consistent across all agencies.

Chapter 3: Likely Costs of the Proposed Rule

3.1 Introduction

We analyzed the likely costs associated with the proposed rule, as compared to the baseline. The proposed rule and the baseline are discussed in detail in Chapter 2 of this document.

3.2 Cost analysis

Compared to the baseline, the proposed rule would:

- Add definitions.
- Set a deadline for Ecology to provide notice to recipients on how and when to report.
- Establish cases in which GHG emissions reduction reporting is required.
- Add information that must be reported by funding recipients about:
 - Appropriations.
 - Funding agreements.
 - Direct and meaningful benefits.
 - Changes over time.
 - Employment quality at projects funded by the Climate Investment Account.
- Exempt certain Tribal information from reporting.
- Establish processes for identifying and approving GHG emissions reduction calculation methods and tools.

3.2.1 Add definitions

We do not expect this element, in and of itself, to result in costs as compared to the baseline. Definitions result in costs only in the context of how terms are used in rule requirements. We analyze those impacts in each part of the rule as discussed below.

3.2.2 Set a deadline for Ecology notice to recipients

We expect this element of the proposed rule to result in costs to Ecology (of annually notifying recipients). We do not expect it to result in external costs.

3.2.3 Establish cases in which GHG emissions reduction reporting is required

We do not expect this element of the proposed rule to result in costs as compared to the baseline.⁶ The baseline sets requirements for information that must be reported if GHG or

⁶ During development of the proposed rule, recipients expressed concern over additional project types being excluded from the exemption list. Including them in that list (and thus exempting them from certain reporting

other long-term emissions impacts are expected, but does not further define where that expectation is reasonable or likely. The proposed rule effectively reduces this scope from all expenditures to those with an approved emissions calculation methodology and tool. It also excludes certain types of projects that are not likely to impact emissions.

As such, this part of the proposed rule mitigates the costs of the proposed rule by reducing the scope of the emissions reduction reporting costs. We do not estimate this separately, and instead it is reflected in the costs we estimate for reporting impacts to GHG and other long-term emissions (see sections: 3.2.4 for appropriations reporting; 3.2.5 for funding agreement reporting; 3.2.7 for reporting changes over time, and 3.2.10 for working with Ecology on identifying and approving emissions reduction calculation methodologies and tools).

3.2.4 Add information that must be reported about appropriations

We expect this element of the proposed rule to result in additional reporting costs associated with appropriations and direct expenditures as discussed in the following subsections.

3.2.4.1 Administrative information reporting costs

For administrative information, we expect costs associated with reporting information about the appropriation, which is known to the recipient. This information includes:

- Appropriation title.
- Which CCA account funding is from.
- How much has been expended.

We assumed five to ten minutes would be necessary per appropriation to report this information, in addition to the time spent reporting baseline information about the recipient, amount, purpose, and end result or use of the funds. In the first five years, we also assumed 30 minutes of time learning the reporting format and interface, per appropriation. This additional assumption allows for potential variability over time in how Ecology determines recipients must report, as tools are developed and refined.

We assessed a range of potential job classes that would be performing this work, based on outreach to recipients, and made the simplifying assumption of a single, conservative wage rate. The number and types of staff will vary considerably across recipients, depending on the complexity of their overall reporting needs and the resources available to do the reporting work. We identified staff ranging across environmental planners, environmental specialists, transportation specialists, management and budget analysts, and various levels of management and division, executive, or regional management. Hourly or hourly-equivalent wages ranged

requirements) would have further mitigated the costs of the proposed rule. For discussion of this and other alternative rule content, see Chapter 6.

from \$37 to \$72, with a median of \$46 and average of \$49.⁷ We made the simplifying assumption of a \$50 wage rate. At this wage, additional reporting of administrative information would cost between \$29 and \$33 per appropriation per year in the first 5 years, followed by between \$4 and \$8 in subsequent years.

3.2.4.2 GHG and other emissions reduction reporting costs

For emissions reduction information, we expect costs associated with calculating and reporting this information. Since the baseline requires this information to be included in Ecology's report to the Legislature, we compare the proposed rule to two baseline options that depend on interpretation of the baseline requirements:

1. The baseline requirements for Ecology's report intend emissions impacts to be reported by recipients.
2. The baseline requirements for Ecology's report intend Ecology to calculate emissions impacts, based on information reported by recipients.

Baseline 1 comparison

Compared to a baseline in which recipients would calculate and report GHG emissions impacts, and report them to Ecology, the proposed rule would result in only minor costs of specifying which exemption category applies if an expenditure is exempt from GHG reporting under the rule (see Section 2.3.4 for discussion). We assumed this work would take 5 minutes per appropriation. At a central \$50 wage rate (see Section 3.2.4.1 for detail), this work would cost \$4 per appropriation per year.

Baseline 2 comparison

Compared to a baseline in which Ecology collects information from recipients and completes GHG emissions reduction calculations, the proposed rule would result in additional effort by recipients to:

- Learn to use approved emissions methodologies and tools.
- Perform calculations.⁸

⁷ Salaries and wages for Budget Analyst, Environmental Planner, Environmental Specialist, Management Analyst, Transportation Planning Specialist (all levels 4 and 5): WA Office of Financial Management, 2024. Classified Job Listing. <https://ofm.wa.gov/state-human-resources/compensation-job-classes/ClassifiedJobListing>.
Salaries for WMS Bands 1 – 4: WA Office of Financial Management, 2023. Washington Management Service Salary Structure. Effective July 1, 2023. <https://ofm.wa.gov/sites/default/files/public/shr/CompensationAndJobClasses/Salary%20Schedules/2023SalarySchedules/2023%20WMS%20Schedule.pdf>
Salaries for agency heads: WA Office of Financial Management, 2023. State Officials' Salaries. Agency Head Salary Schedule. Effective July 1, 2023. https://ofm.wa.gov/sites/default/files/public/shr/CompensationAndJobClasses/Salary%20Schedules/2023SalarySchedules/July_1_2023_Final/SOSA_Eff2023July1_Web.pdf

⁸ We note that the information gathering portions of this work would be the same regardless of whether the recipient must perform the calculations, or if the recipient must report sufficient information to Ecology to allow Ecology to perform the calculations.

As not all appropriations will result in likely impacts to GHG emissions (see Section 2.3.4 for discussion), we assumed 20% of appropriations would not incur additional GHG reporting costs. We also assumed:

- 30 to 60 minutes for performing calculations (entering inputs).
- 30 to 60 minutes for learning how to use the methodologies and tools during the first 5 years.

We acknowledge these assumptions simplify the likely high variability in agency needs and the degree of complexity in relevant methodologies and tools. We performed calculations across the aggregate population of likely CCA account funded recipients, which captures underestimation and overestimation. To examine the potential scope of per-recipient costs, we also looked at options to scale central assumption-based costs down or up to better understand the range of costs an individual recipient might face. For discussion of per-recipient costs, see Section 3.3.

At a central \$50 wage rate (see Section 3.2.4.1 for detail), this work would cost between \$40 and \$80 per appropriation per year in the first 5 years, followed by costs of between \$20 and \$40.

3.2.4.3 Tribal support and overburdened community reporting costs

For information about Tribes and overburdened communities, we expect costs associated with reporting this information. Since these baseline requirements are based in the Operating Budget, which only applies to fiscal years 2023-2025, we compare the proposed rule to two baseline options that depend on assumptions about the baseline beginning in 2026:

1. Similar baseline requirements would be set in all subsequent operating budgets. Only the additional elements in the proposed rule would continue to result in costs.
2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the proposed rule's requirements related to vulnerable population and overburdened community reporting would result in costs of reporting:
 - Amount of each expenditure that provides direct and meaningful benefits to vulnerable populations in overburdened communities.
 - Explanation of how it provides those benefits.
 - Methods by which overburdened communities and vulnerable populations were identified, including the geographic area impacted (where relevant), and geographic boundaries of the overburdened communities.
 - The amount of each expenditure used for programs, activities, or projects formally supported by a resolution of an Indian Tribe.
 - Explanation of why expenditures did not provide direct and meaningful benefits to vulnerable populations in overburdened communities and were not formally supported by a Tribal resolution (if applicable).

We note that direct and meaningful benefits and formal Tribal support are also addressed under the baseline CCA law, which states Legislative intent that at least 35 percent of funds (with a goal of 40 percent) will be used to provide direct and meaningful benefits to vulnerable populations in overburdened communities, and for at least 10 percent of total investments to go to programs, activities, or projects formally supported by a Tribal resolution. To know they are meeting the baseline requirements in the CCA law, agencies must already undertake efforts to identify what these benefits and support are, and whether the percentages of funding are meeting statutory targets.

Baseline 1 comparison

Compared to a baseline in which recipients must continue to report information related to overburdened communities and formal support by Tribes, the proposed rule would result in costs related to:

- Reporting additional known information.
- Investigating additional information needed for reporting.
- Collecting information across multiple levels of expenditure (e.g., contractors, subcontractors).

We assumed additional effort per appropriation, compared to the baseline, of:

- 10 to 30 minutes to report known information.
- 2 to 4 hours for investigation and additional communications necessary to identify additional information.
- 30 minutes to learn the reporting interface and best approach to including all relevant information, for the first 5 years.

We acknowledge these assumptions simplify the likely high variability in agency needs and the degree of complexity in relevant community engagement and use of maps, data, or other tools to identify vulnerable populations and overburdened communities. We performed calculations across the aggregate population of likely CCA account funded recipients, which captures underestimation and overestimation. To examine the potential scope of per-recipient costs, we also looked at options to scale central assumption-based costs down or up to better understand the range of costs an individual recipient might face. For discussion of per-recipient costs, see Section 3.3.

At a central \$50 wage rate (see Section 3.2.4.1 for detail), this work would cost between \$133 and \$250 per appropriation per year in the first 5 years, followed by costs of between \$108 and \$225.

Baseline 2 comparison

Compared to a baseline in which reporting requirements related to vulnerable populations and overburdened communities do not exist beyond 2025, the proposed rule would result in the costs discussed above for “Baseline 1 comparison”, as well as additional costs for reporting:

- The amount providing direct and meaningful benefits to vulnerable populations in overburdened communities.
- An explanation of how those benefits are provided.
- How vulnerable populations and overburdened communities were identified.
- If relevant, an explanation of why benefits were not provided.

We assumed 30 to 60 minutes of additional effort per appropriation to report this information. Including costs estimated in comparison to Baseline 1, above, these total costs would be:

- \$133 to \$250 in the first year.
- \$158 to \$300 in years 2 through 5.
- \$133 to \$275 in subsequent years.

3.2.4.4 Summary of appropriation reporting costs

Baseline 1 comparison

Compared to Baseline 1, we estimated central appropriation reporting costs of:

- \$164 to \$285 in the first 5 years.
- \$115 to \$236 in years 6 through 10.
- \$67 to \$88 in years 11 through 20.

To identify the potential aggregate number of appropriations from CCA accounts, we used OFM summary data for the enacted 2023-2025 Omnibus Operating, Capital, and Transportation budgets.⁹ We identified 214 relevant appropriations. Multiplying by total appropriation counts, we estimated total costs resulting from this part of the proposed rule of \$35,072 to \$60,931 in the first year, falling to between \$14,267 and \$18,725 over 20 years. Converting this stream of costs over time to present value, this part of the proposed rule would result in **between \$0.4 million and \$0.7 million in present value over 20 years.**¹⁰

Baseline 2 comparison

Compared to Baseline 2, we estimated central appropriation reporting costs of:

- \$176 to \$310 in the first year.
- \$201 to \$360 in years 2 through 5.

⁹ WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023.

¹⁰ Present values convert streams of costs and benefits to current values that account for inflation and the opportunity cost of capital. Ecology uses a discount rate estimating the social rate of time preference, based on historic real (inflation-adjusted) rates of return on US Treasury I Bonds: US Treasury Department, 2024. Treasury Direct I bonds interest rates. <https://treasurydirect.gov/savings-bonds/i-bonds/i-bonds-interest-rates/#:~:text=The%20composite%20rate%20for%20I,through%20April%202024%20is%205.27%25>.

- \$151 to \$310 in years 6 through 10.
- \$158 to \$323 in years 11 through 20.

For timing of approved methodologies that would trigger the requirement for recipients to report GHG emissions impacts, we assumed 1/3 of relevant GHG emissions reduction calculation tools would be approved in the first 5 years, followed by an additional 1/3 every 5 years, over 15 years. Varying this timing assumption would only affect total present value cost estimates (see Section 5.2 for discussion).

To identify the potential aggregate number of appropriations from CCA accounts, we used OFM summary data for the enacted 2023-2025 Omnibus Operating, Capital, and Transportation budgets.¹¹ We identified 214 relevant appropriations. Multiplying by total appropriation counts, we estimated total costs resulting from this part of the proposed rule of \$37,628 to \$66,340 in the first year, changing to between \$33,705 and \$69,193 over 20 years. Converting this stream of costs over time to present value, this part of the proposed rule would result in **between \$0.6 million and \$1.3 million in present value over 20 years.**¹²

3.2.5 Add information that must be reported about funding agreements

We expect this element of the proposed rule to result in additional reporting costs associated with funding agreements as discussed in the following subsections.

3.2.5.1 Administrative information reporting costs

For administrative information, we expect costs associated with reporting information about each funding agreement, which are known to the recipient. This information includes:

- Appropriation title.
- How much of the appropriation was allocated to the agreement.
- Sub-recipient name.
- How much has been expended.
- Geographic location of the expenditure.

We assumed 5 to 10 minutes would be necessary per funding agreement to report this information, in addition to the time spent reporting baseline information about the recipient, amount, purpose, and end result or use of the funds. In the first 5 years, we also assumed 30 minutes of time learning the reporting format and interface, per appropriation. This additional

¹¹ WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023.

¹² Present values convert streams of costs and benefits to current values that account for inflation and the opportunity cost of capital. Ecology uses a discount rate estimating the social rate of time preference, based on historic real (inflation-adjusted) rates of return on US Treasury I Bonds: US Treasury Department, 2024. Treasury Direct I bonds interest rates. <https://treasurydirect.gov/savings-bonds/i-bonds/i-bonds-interest-rates/#:~:text=The%20composite%20rate%20for%20I,through%20April%202024%20is%205.27%25>.

assumption allows for potential variability over time in how Ecology determines recipients must report, as tools are developed and refined.

We assessed a range of potential job classes that would be performing this work, based on outreach to recipients, and made the simplifying assumption of a single, conservative wage rate. The number and types of staff will vary considerably across recipients, depending on the complexity of their overall reporting needs and the resources available to do the reporting work. We identified staff ranging across environmental planners, environmental specialists, transportation specialists, management and budget analysts, and various levels of management and division, executive, or regional management. Hourly or hourly-equivalent wages ranged from \$37 to \$72, with a median of \$46 and average of \$49.¹³ We made the simplifying assumption of a \$50 wage rate. At this wage, additional reporting of administrative information would cost between \$29 and \$33 per appropriation per year in the first 5 years, followed by between \$4 and \$8 in subsequent years.

3.2.5.2 GHG and other emissions reduction reporting costs

For emissions reduction information, we expect costs associated with calculating and reporting GHG emissions reductions.¹⁴ Since the baseline requires this information to be included in Ecology's report to the Legislature, we compare the proposed rule to two baseline options that depend on interpretation of the baseline requirements:

1. The baseline requirements for Ecology's report intend emissions impacts to be reported by recipients.
2. The baseline requirements for Ecology's report intend Ecology to calculate emissions impacts, based on information reported by recipients.

¹³ Salaries and wages for Budget Analyst, Environmental Planner, Environmental Specialist, Management Analyst, Transportation Planning Specialist (all levels 4 and 5): WA Office of Financial Management, 2024. Classified Job Listing. <https://ofm.wa.gov/state-human-resources/compensation-job-classes/ClassifiedJobListing>.

Salaries for WMS Bands 1 – 4: WA Office of Financial Management, 2023. Washington Management Service Salary Structure. Effective July 1, 2023.

<https://ofm.wa.gov/sites/default/files/public/shr/CompensationAndJobClasses/Salary%20Schedules/2023SalarySchedules/2023%20WMS%20Schedule.pdf>

Salaries for agency heads: WA Office of Financial Management, 2023. State Officials' Salaries. Agency Head Salary Schedule. Effective July 1, 2023.

https://ofm.wa.gov/sites/default/files/public/shr/CompensationAndJobClasses/Salary%20Schedules/2023SalarySchedules/July_1_2023_Final/SOSA_Eff2023July1_Web.pdf

¹⁴ For this estimation, we assumed all effort and associated costs are borne by recipients. During development of the proposed rule, recipients expressed concern over the amount of work that would be required of, or delegated to, their sub-recipients through funding agreements. While the proposed rule does not establish any requirements for sub-recipients, recipients may choose to pass some required or necessary activities to their sub-recipients. Based on communication with recipients during rule development, we observed that considerable uncertainty and variability over time are likely in the scope of requirements passed on to sub-recipients, including the possibilities of sharing the required effort or incurring these costs at the recipient level in early years while developing structures and assistance for sub-recipients over time. We note that under both the baseline and proposed rule, these activities would be necessary, but in both cases recipient choices would affect the ultimate distribution of costs.

Baseline 1 comparison

Compared to a baseline in which recipients would calculate and report GHG emissions impacts, and report them to Ecology, the proposed rule would result in only minor costs of specifying which exemption category applies if an expenditure is exempt from GHG reporting under the rule (see Section 2.3.4 for discussion). We assumed this work would take 5 minutes per funding agreement. At a central \$50 wage rate (see Section 3.2.4.1 for detail), this work would cost \$4 per funding agreement per year.

Baseline 2 comparison

Compared to a baseline in which Ecology collects information from recipients and completes GHG emissions reduction calculations, the proposed rule would result in additional effort by recipients to:

- Learn to use approved emissions methodologies and tools.
- Perform calculations.¹⁵

As not all funding agreements will result in likely impacts to GHG emissions (see Section 2.3.4 for discussion), we assumed 20% of funding agreements would not incur additional GHG reporting costs. We also assumed:

- 30 to 60 minutes for performing calculations (entering inputs).
- 30 to 60 minutes for learning how to use the methodologies and tools during the first 5 years.

We acknowledge these assumptions simplify the likely high variability in agency needs and the degree of complexity in relevant methodologies and tools. We performed calculations across the aggregate population of likely CCA account funded recipients, which captures underestimation and overestimation. To examine the potential scope of per-recipient costs, we also looked at options to scale central assumption-based costs down or up to better understand the range of costs an individual recipient might face. For discussion of per-recipient costs, see Section 3.3.

At a central \$50 wage rate (see Section 3.2.4.1 for detail), this work would cost between \$40 and \$80 per appropriation per year in the first 5 years, followed by costs of between \$20 and \$40.

3.2.5.3 Tribal support and overburdened community reporting costs

For information about Tribes and overburdened communities, we expect costs associated with collecting this information and reporting it. This may entail altering contracts and requirements for sub-recipients, to be able to provide this information. Since these baseline reporting requirements are based in the Operating Budget, which only applies to fiscal years 2023-2025,

¹⁵ We note that the information gathering portions of this work would be the same regardless of whether the recipient must perform the calculations, or if the recipient must report sufficient information to Ecology to allow Ecology to perform the calculations.

we compare the proposed rule to two baseline options that depend on assumptions about the baseline beginning in 2026:

1. Similar baseline requirements would be set in all subsequent operating budgets. Only the additional elements in the proposed rule would continue to result in costs.
2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the proposed rule's requirements related to vulnerable population and overburdened community reporting would result in costs of reporting:
 - Amount of each expenditure that provides direct and meaningful benefits to vulnerable populations in overburdened communities.
 - Explanation of how it provides those benefits.
 - Methods by which overburdened communities and vulnerable populations were identified, including the geographic area impacted (where relevant), and geographic boundaries of the overburdened communities.
 - The amount of each expenditure used for programs, activities, or projects formally supported by a resolution of an Indian Tribe.
 - Explanation of why expenditures did not provide direct and meaningful benefits to vulnerable populations in overburdened communities and were not formally supported by a Tribal resolution (if applicable).

We note that direct and meaningful benefits and formal Tribal support are also addressed under the baseline CCA law, which states Legislative intent that at least 35 percent of funds (with a goal of 40 percent) will be used to provide direct and meaningful benefits to vulnerable populations in overburdened communities, and for at least 10 percent of total investments to go to programs, activities, or projects formally supported by a Tribal resolution. To know they are meeting the baseline requirements in the CCA law, agencies must already undertake efforts to identify what these benefits and support are, and whether the percentages of funding are meeting statutory targets.

Baseline 1 comparison

Compared to a baseline in which recipients must continue to report information related to overburdened communities and formal support by Tribes, the proposed rule would result in costs related to:

- Reporting additional known information.
- Investigating additional information needed for reporting.
- Collecting information across multiple levels of expenditure (e.g., contractors, subcontractors).

We assumed additional effort per funding agreement, compared to the baseline, of:

- 10 to 30 minutes to report known information.

- 2 to 4 hours for investigation and additional communications necessary to identify additional information. We reflected this work as recipient cost, but these costs could be passed down to sub-recipients as needed, through stipulation of reporting requirements in the funding agreement.
- 30 minutes to learn the reporting interface and best approach to including all relevant information, for the first 5 years.

We acknowledge these assumptions simplify the likely high variability in agency needs and the degree of complexity in relevant community engagement and use of maps, data, or other tools to identify vulnerable populations and overburdened communities. We performed calculations across the aggregate population of likely CCA account funded recipients, which captures underestimation and overestimation. To examine the potential scope of per-recipient costs, we also looked at options to scale central assumption-based costs down or up to better understand the range of costs an individual recipient might face. For discussion of per-recipient costs, see Section 3.3.

At a central \$50 wage rate (see Section 3.2.4.1 for detail), this work would cost between \$133 and \$250 per appropriation per year in the first 5 years, followed by costs of between \$108 and \$225.

Baseline 2 comparison

Compared to a baseline in which reporting requirements related to vulnerable populations and overburdened communities do not exist beyond 2025, the proposed rule would result in the costs discussed above for “Baseline 1 comparison”, as well as additional costs for reporting:

- The amount providing direct and meaningful benefits to vulnerable populations in overburdened communities.
- An explanation of how those benefits are provided.
- How vulnerable populations and overburdened communities were identified.
- If relevant, an explanation of why benefits were not provided.

We assumed 30 to 60 minutes of additional effort per appropriation to report this information. Including costs estimated in comparison to Baseline 1, above, these total costs would be:

- \$133 to \$250 in the first year.
- \$158 to \$300 in years 2 through 5.
- \$133 to \$275 in subsequent years.

3.2.5.4 Summary of funding agreement reporting costs

Baseline 1 comparison

Compared to Baseline 1, we estimated central funding agreement reporting costs of:

- \$164 to \$285 in the first 5 years.
- \$115 to \$236 in years 6 through 10.

- \$67 to \$88 in years 11 through 20.

To identify the potential aggregate number of funding agreements resulting from appropriations from CCA accounts, we used OFM summary data for the enacted 2023-2025 Omnibus Operating, Capital, and Transportation budgets,¹⁶ data on WA Department of Transportation (WSDOT) awards for 2023-2025,¹⁷ and data on Ecology awards for 2023-2025.¹⁸ We calculated the average dollars awarded to each agreement, which ranged between \$253,486 and \$6.3 million. We note that this range was narrower for Ecology awards than for WSDOT awards, indicating smaller variability. Central estimates of dollars per agreement ranged between \$0.8 and \$1.8 million. As both agencies from which data was available will likely receive larger appropriations over time, and may also have different types of projects and programs than other recipients, we rounded the overall central estimate of dollars per agreement down to \$1 million (rather than \$1.2 million). This assumption is intended to capture variability across agencies, and to err on the side of overestimating the number of affected funding agreements.

We identified a statewide total of 1,032 relevant funding agreements, by dividing total appropriation amounts by \$1 million. Because not all appropriations result in funding agreements, we made a simplifying assumption that funding agreements would come from appropriations in the operating and transportation budgets. We acknowledge that it is not universally the case that capital budget appropriations would be directly expended, or that no operating budget appropriations would be directly expended, but based on the relative scale of the budgets, we made this assumption to mitigate likelihood of underestimating these costs while not assuming universal pass-through of all appropriated funds.

Multiplying by total appropriation counts, we estimated total costs resulting from this part of the proposed rule of \$169,173 to \$293,903 in the first year, falling to between \$68,816 and \$90,321 over 20 years. Converting this stream of costs over time to present value, this part of

¹⁶ WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023.

¹⁷ WA Department of Transportation, 2024. Grant website award lists explicitly stating CCA account funding sources. Accessed March 2024: <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/consolidated>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/green-transportation-capital>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/paratransit-special-needs-and-rural-mobility-competitive>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/paratransit-special-needs-and-rural-mobility-formula-grants>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/transit-support-grant>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/transit-coordination>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/state-buses-and-bus-facilities>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/transportation-demand-management-grants>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/tribal-transit-mobility>; <https://wsdot.wa.gov/business-wsdot/grants/port-electrification-grant>.

¹⁸ WA Department of Ecology, 2024. Ecology Grants and Loans (2014 – present) map and underlying Ecology’s Administration of Grants and Loans (EAGL) database. <https://apps.ecology.wa.gov/eagmap/>.

the proposed rule would result in **between \$2.0 million and \$3.4 million in present value over 20 years.**¹⁹

Baseline 2 comparison

Compared to Baseline 2, we estimated central funding agreement reporting costs of:

- \$176 to \$310 in the first year.
- \$201 to \$360 in years 2 through 5.
- \$151 to \$310 in years 6 through 10.
- \$158 to \$323 in years 11 through 20.

For timing of approved methodologies that would trigger the requirement for recipients to report GHG emissions impacts, we assumed 1/3 of relevant GHG calculation tools would be approved in the first 5 years, followed by an additional 1/3 every 5 years, over 15 years. Varying this timing assumption would only affect total present value cost estimates (see Section 5.2 for discussion).

To identify the potential aggregate number of funding agreements resulting from appropriations from CCA accounts, we used OFM summary data for the enacted 2023-2025 Omnibus Operating, Capital, and Transportation budgets,²⁰ data on WA Department of Transportation (WSDOT) awards for 2023-2025,²¹ and data on Ecology awards for 2023-2025.²² We calculated the average dollars awarded to each agreement, which ranged between \$253,486 and \$6.3 million. We note that this range was narrower for Ecology awards than for

¹⁹ Present values convert streams of costs and benefits to current values that account for inflation and the opportunity cost of capital. Ecology uses a discount rate estimating the social rate of time preference, based on historic real (inflation-adjusted) rates of return on US Treasury I Bonds: US Treasury Department, 2024. Treasury Direct I bonds interest rates. <https://treasurydirect.gov/savings-bonds/i-bonds/i-bonds-interest-rates/#:~:text=The%20composite%20rate%20for%20I,through%20April%202024%20is%205.27%25.>

²⁰ WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023.

²¹ WA Department of Transportation, 2024. Grant website award lists explicitly stating CCA account funding sources. Accessed March 2024: <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/consolidated>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/green-transportation-capital>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/paratransit-special-needs-and-rural-mobility-competitive>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/paratransit-special-needs-and-rural-mobility-formula-grants>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/transit-support-grant>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/transit-coordination>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/state-buses-and-bus-facilities>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/transportation-demand-management-grants>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/tribal-transit-mobility>; <https://wsdot.wa.gov/business-wsdot/grants/port-electrification-grant>.

²² WA Department of Ecology, 2024. Ecology Grants and Loans (2014 – present) map and underlying Ecology’s Administration of Grants and Loans (EAGL) database. <https://apps.ecology.wa.gov/eaglmap/>.

WSDOT awards, indicating smaller variability. Central estimates of dollars per agreement ranged between \$0.8 and \$1.8 million. As both agencies from which data was available will likely receive larger appropriations over time and may also have different types of projects and programs than other recipients, we rounded the overall central estimate of dollars per agreement down to \$1 million (rather than \$1.2 million). This assumption is intended to capture variability across agencies, and to err on the side of overestimating the number of affected funding agreements.

We identified a statewide total of 1,032 relevant funding agreements, by dividing total appropriation amounts by \$1 million. Because not all appropriations result in funding agreements, we made a simplifying assumption that funding agreements would come from appropriations in the operating and transportation budgets. We acknowledge that it is not universally the case that capital budget appropriations would be directly expended, or that no operating budget appropriations would be directly expended, but based on the relative scale of the budgets, we made this assumption to mitigate likelihood of underestimating these costs while not assuming universal pass-through of all appropriated funds.

Multiplying by total appropriation counts, we estimated total costs resulting from this part of the proposed rule of \$181,503 to \$319,996 in the first year, changing to between \$162,579 and \$333,759 over 20 years. Converting this stream of costs over time to present value, this part of the proposed rule would result in **between \$3.1 million and \$6.1 million in present value over 20 years.**²³

3.2.6 Add information that must be reported about direct and meaningful benefits

We expect the proposed rule to result in costs of providing the required supporting information for direct expenditures and funding agreements. This supporting information would already have been generated by recipients to ensure they are meeting the requirements of the baseline CCA law.²⁴ Since the baseline reporting requirements are based in the Operating Budget, which

²³ Present values convert streams of costs and benefits to current values that account for inflation and the opportunity cost of capital. Ecology uses a discount rate estimating the social rate of time preference, based on historic real (inflation-adjusted) rates of return on US Treasury I Bonds: US Treasury Department, 2024. Treasury Direct I bonds interest rates. <https://treasurydirect.gov/savings-bonds/i-bonds/i-bonds-interest-rates/#:~:text=The%20composite%20rate%20for%20I,through%20April%202024%20is%205.27%25>.

²⁴ For this estimation, we assumed all effort and associated costs are borne by recipients. During development of the proposed rule, recipients expressed concern over the amount of work that would be required of, or delegated to, their sub-recipients through funding agreements. While the proposed rule does not establish any requirements for sub-recipients, recipients may choose to pass some required or necessary activities to their sub-recipients. Based on communication with recipients during rule development, we observed that considerable uncertainty and variability over time are likely in the scope of requirements passed on to sub-recipients, including the possibilities of sharing the required effort or incurring these costs at the recipient level in early years while developing structures and assistance for sub-recipients over time. We note that under both the baseline and proposed rule, these activities would be necessary, but in both cases recipient choices would affect the ultimate distribution of costs.

only applies to fiscal years 2023-2025, we compare the proposed rule to two baseline options that depend on assumptions about the baseline beginning in 2026:

1. Similar baseline requirements would be set in all subsequent operating budgets. Only the additional elements in the proposed rule would continue to result in costs.
2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the proposed rule's requirements related to vulnerable population and overburdened community reporting would result in costs of reporting:
 - Amount of each expenditure that provides direct and meaningful benefits to vulnerable populations in overburdened communities.
 - Explanation of how it provides those benefits.
 - Methods by which overburdened communities and vulnerable populations were identified, including the geographic area impacted (where relevant), and geographic boundaries of the overburdened communities.
 - The amount of each expenditure used for programs, activities, or projects formally supported by a resolution of an Indian Tribe.
 - Explanation of why expenditures did not provide direct and meaningful benefits to vulnerable populations in overburdened communities and were not formally supported by a Tribal resolution (if applicable).

We note that direct and meaningful benefits and formal Tribal support are also addressed under the baseline CCA law, which states Legislative intent that at least 35 percent of funds (with a goal of 40 percent) will be used to provide direct and meaningful benefits to vulnerable populations in overburdened communities, and for at least 10 percent of total investments to go to programs, activities, or projects formally supported by a Tribal resolution. To know they are meeting the baseline requirements in the CCA law, agencies must already undertake efforts to identify what these benefits and support are, and whether the percentages of funding are meeting statutory targets.

The proposed rule would result in costs related to reporting the following for appropriations and funding agreements:

- Methods used to identify vulnerable populations and overburdened communities.
- Data, maps, engagement, or other resources used for identification.
- Characteristics of vulnerable populations.
- Collect information across multiple levels of expenditure (e.g., contractors, subcontractors).

We assumed 5 to 10 minutes of additional effort per appropriation or funding agreement, compared to the baseline, to add the above information to reporting. The underlying work to identify vulnerable populations and overburdened communities, and identify relevant benefits to them, would be done under the baseline (to meet requirements of the CCA law as well as, for 2023-2025, the operating budget). We estimate the costs of investigating and collecting this

information in sections 2.3.5 and 2.3.6, above, and assume that across baseline requirements and activities incurring related reporting costs, sufficient information would be on hand to fill in reporting fields related to this section of the proposed rule.

We acknowledge these assumptions simplify the likely high variability in agency needs and the degree of complexity in relevant community engagement and use of maps, data, or other tools to identify vulnerable populations and overburdened communities. We performed calculations across the aggregate population of likely CCA account funded recipients, which captures underestimation and overestimation. To examine the potential scope of per-recipient costs, we also looked at options to scale central assumption-based costs down or up to better understand the range of costs an individual recipient might face. For discussion of per-recipient costs, see Section 3.3.

At a central \$50 wage rate (see Section 3.2.4.1 for detail), this work would cost between \$4 and \$8 per appropriation or funding agreement per year.

We combined affected appropriation and funding agreement counts (see sections 3.2.4.4 and 3.2.5.4) to identify a statewide total of 1,246 relevant appropriations and funding agreements. Multiplying by estimated costs per appropriation or funding agreement, we estimated total annual costs resulting from this part of the proposed rule of \$5,193 to \$10,385. Converting this stream of costs over time to present value, this part of the proposed rule would result in **between \$0.1 million and \$0.2 million in present value over 20 years.**²⁵

3.2.7 Add information that must be reported about changes over time

We expect this element of the proposed rule to result in additional reporting costs, for agencies that already conduct ongoing tracking and monitoring for expenditures included in prior annual reports. The degree to which agencies conduct, or intend to conduct, this type of ongoing monitoring is not clear without reporting data. Based on Ecology communication with recipients, many expressed concerns that ongoing tracking would be highly burdensome but could better capture GHG emissions reductions and other benefits over time. We note the proposed rule does not require tracking of projects over time, or otherwise require retrospective verification of previously reported information.

We assumed a recipient tracking a project would determine whether project implementation or results had changed voluntarily (outside of this rule) and take an additional 15 to 30 minutes to input updated information in their report. At a \$50 wage rate, this would cost between \$13 and \$25 per tracked project. If we assume 10% of appropriations or funding agreements would incur these costs (125 projects), total costs would be between \$1,558 and \$3,116 per year. Converting this stream of costs over time to present value, this part of the proposed rule would result in **between \$0.03 million and \$0.06 million in present value over 20 years.**²⁶

²⁵ Ibid.

²⁶ Ibid.

3.2.8 Add information that must be reported about employment quality (CIA only)

We expect this element of the proposed rule to result in reporting costs related to job, apprentice, intern, or other positions created as a result of expenditure of Climate Investment Act (CIA) expenditures. There are 6 agencies currently receiving CIA appropriations. Based on the types of appropriations currently funded by CIA, they are likely to fund internal agency staffing, planning, and support.²⁷ As such, we assume this work would take 30 to 60 minutes to report information about these positions. We note that this work will be more straightforward for smaller agencies or those with streamlined internal reporting and would be more complex for agencies with external hiring expenditures.

At a \$50 wage rate, this would cost between \$25 and \$50 per agency. Total costs across the agencies would be between \$150 and \$300 per year. Converting this stream of costs over time to present value, this part of the proposed rule would result in **between \$2,000 and \$5,000 in present value over 20 years.**²⁸

3.2.9 Exempt certain Tribal information from reporting

We do not expect any costs to result from this element of the proposed rule.

3.2.10 Establish a process for identifying and approving GHG emissions reduction calculation methods and tools

We expect this element of the proposed rule to result in notification costs and costs of providing information and working collaboratively with Ecology to facilitate the development and approval of appropriate GHG methodologies and calculators. We expect the process in the proposed rule to mitigate costs associated with agencies individually developing various emissions calculation methods, as they would under the baseline.

Estimating the time it would take recipients to notify and collaborate with Ecology – including gathering information, data management, and preliminary identification of potential methodologies and tools – is difficult. This is because identification and adaptation of each appropriate tool, and any additional adjustments, would require highly variable levels of work and engagement, depending on the type of project and methodology or tool. It is additionally complicated by the potential for multiple agencies to provide input toward one methodology and tool. This is the case for both cost estimation and benefit estimation.

Rather than estimating the full direct costs and benefits of this element of the proposed rule (which would entail estimating the costs of recipient effort under the baseline and proposed

²⁷ WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023.

²⁸ Present values convert streams of costs and benefits to current values that account for inflation and the opportunity cost of capital. Ecology uses a discount rate estimating the social rate of time preference, based on historic real (inflation-adjusted) rates of return on US Treasury I Bonds: US Treasury Department, 2024. Treasury Direct I bonds interest rates. <https://treasurydirect.gov/savings-bonds/i-bonds/i-bonds-interest-rates/#:~:text=The%20composite%20rate%20for%20I,through%20April%202024%20is%205.27%25.>

rule, including additional assumptions about individual recipient workload and effort-sharing for each methodology and tool), we approached these costs and benefits in a net-impact context. That is, we considered the relative size of costs and benefits while holding the effort it takes to complete support work for any given GHG emissions reduction calculation methodology constant.

This approach reveals that the proposed rule results in a larger benefit (avoided costs of individually developing methodologies and tools) than cost (costs of working in collaboration with Ecology to approve methodologies and tools) due to the efficiency of Ecology centrally approving and sharing methodologies and tools via its website for all recipients to use. As such, we present the net impact (difference between the benefits and costs of this element of the proposed rule) in Chapter 4. See Section 4.2.10 for discussion and results.

3.3 Scaling per-recipient costs

We estimated the costs of the proposed rule on an aggregate (total statewide) level, based on central assumptions about the additional effort compliance with the proposed rule would require. As we acknowledge throughout, the experience of individual recipients would be highly variable based on:

- Appropriation types and size.
- Degree of direct versus pass-through spending.
- Recipient structure.
- Recipient mission.

Across all of the time costs discussed in Section 2, above, and its subsections, the total cost for a central recipient in full-time employees (FTEs) would be:

- Compared to Baseline 1: 0.06 to 0.1 FTEs.
- Compared to Baseline 2: 0.1 to 0.18 FTEs.

Based on our estimated number of funding agreements per recipient (see Section 3.2.5), a proxy for size and complexity of the recipient's reporting needs, overall recipient size ranges from about 0.05 times the median size, to 50 times the median size.

On the low end, this means the smallest/least-complex recipients would need less than 1/100 of an FTE to do the additional work required under the proposed rule. This end of the range reflects small agencies that receive small CCA account appropriations and spend them directly. This spending could be, e.g., on supporting agency employee time.

On the high end, this means the largest/most-complex recipients would need between 3 and 9 FTEs to do the additional work required under the proposed rule. This end of the range reflects large agencies that receive multiple, large CCA account appropriations, and spend them across a complex set of direct and pass-through expenditures with multiple expenditure types and sub-recipients.

Chapter 4: Likely Benefits of the Proposed Rule

4.1 Introduction

We analyzed the likely benefits associated with the proposed rule, as compared to the baseline. The proposed rule and the baseline are discussed in detail in Chapter 2 of this document.

4.2 Benefits analysis

Compared to the baseline, the proposed rule would:

- Add definitions.
- Set a deadline for Ecology to provide notice to recipients on how and when to report.
- Establish cases in which GHG emissions reduction reporting is required.
- Add information that must be reported by funding recipients about:
 - Appropriations.
 - Funding agreements.
 - Direct and meaningful benefits.
 - Changes over time.
 - Employment quality at projects funded by the Climate Investment Account.
- Exempt certain Tribal information from reporting.
- Establish processes for identifying and approving GHG emissions reduction calculation methods and tools.

4.2.1 Add definitions

We do not expect this element, in and of itself, to result in benefits as compared to the baseline. Definitions used in other sections of the proposed rule result in benefits where the terms are used in rule requirements. We analyze those impacts in each part of the rule as discussed below.

4.2.2 Set a deadline for Ecology notice to recipients

We expect this element of the proposed rule to result in benefits of giving recipients at least one year of notice in preparation for their reporting. This part of the proposed rule balances limited resources and ongoing development of reporting guidance, tools, and interface, with recipient needs for time to compile information to report and develop expectations and planning around those needs and deadlines. Without a deadline by which recipients know when and how they will need to report, they would have no certainty with which to plan underlying steps of reporting – especially those related to complex expenditures, hierarchies, or funding agreements.

4.2.3 Establish cases in which GHG emissions reduction reporting is required

We do not expect this element of the proposed rule to result in benefits as compared to the baseline. The baseline sets requirements for information that must be reported if GHG or other long-term emissions impacts are expected but does not further define where that expectation is reasonable or likely. The proposed rule effectively reduces this scope from all expenditures to those with an approved emissions reduction calculation methodology and tool and excludes certain types of projects that are not likely to impact emissions.

As such, this part of the proposed rule mitigates the costs of the proposed rule by reducing the scope of emissions reduction reporting costs. We do not estimate this separately, and instead it is reflected in the costs we estimate for reporting impacts to GHG and other long-term emissions (see sections: 3.2.4 for appropriations reporting; 3.2.5 for funding agreement reporting; 3.2.7 for reporting changes over time, and 3.2.10 for working with Ecology on identifying and approving emissions reduction calculation methodologies and tools).

4.2.4 Add information that must be reported about appropriations

We expect this element of the proposed rule to result in additional reporting associated with appropriations and direct expenditures as discussed in the following subsections.

4.2.4.1 Administrative information reporting benefits

For administrative information, we expect administrative efficiency benefits associated with reporting information about the appropriation that is known to the recipient. Under the baseline, Ecology would still need to know this information, and if it was not voluntarily reported, Ecology would need to reach out to recipients to collect it. We assumed this additional outreach would be minor, given the straightforward types of information needed, taking 5 to 10 minutes of recipient time per appropriation. At a \$50 wage rate (see Section 3.2.4.1 for detail), this would cost between \$4 and \$8 per appropriation.

4.2.4.2 GHG and other emissions reduction reporting benefits

For emissions reduction information, we expect benefits of emissions calculation accuracy and efficiency, facilitated by direct knowledge of projects. Since the baseline requires this information to be included in Ecology's report to the Legislature, we compare the proposed rule to two baseline options that depend on interpretation of the baseline requirements:

1. The baseline requirements for Ecology's report intend emissions impacts to be reported by recipients.
2. The baseline requirements for Ecology's report intend Ecology to calculate emissions impacts, based on information reported by recipients.

Baseline 1 comparison – appropriation GHG reporting

Compared to a baseline in which recipients report GHG emissions impacts, the proposed rule would not generate significant benefits beyond clarity in which expenditures are exempt because they are not project types likely to impact emissions.

Baseline 2 comparison – appropriation GHG reporting

Compared to a baseline in which information is reported by recipients to facilitate Ecology calculation of GHG emissions impacts, the proposed rule is likely to result in:

- Time savings of rapid access to information rather than Ecology collecting the same information via additional outreach and requests.
- Recipient accountability for their emissions impacts and calculations.

We estimated time savings by assuming between 2 and 4 hours spent collecting detailed information in response to Ecology requests. At a \$50 wage rate (see Section 3.2.4.1 for detail), this would be a savings of \$80 to \$160 per appropriation, accounting for 20% of appropriations not having GHG impacts.

4.2.4.3 Tribal support and overburdened community reporting benefits

For information about Tribes and overburdened communities, we expect environmental justice accuracy, transparency, and accountability benefits associated with reporting this information. There could also be improvements in overburdened community and vulnerable population engagement and information tracking. Since these baseline requirements are based in the Operating Budget, which only applies to fiscal years 2023-2025, we compare the proposed rule to two baseline options that depend on assumptions about the baseline beginning in 2026:

1. Similar baseline requirements would be set in all subsequent operating budgets. Only the additional elements in the proposed rule would continue to result in benefits.
2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the proposed rule's requirements related to vulnerable population and overburdened community reporting would result in benefits:
 - Amount of each expenditure that provides direct and meaningful benefits to vulnerable populations in overburdened communities.
 - Explanation of how it provides those benefits.
 - Methods by which overburdened communities and vulnerable populations were identified, including the geographic area impacted (where relevant), and geographic boundaries of the overburdened communities.
 - The amount of each expenditure used for programs, activities, or projects formally supported by a resolution of an Indian Tribe.
 - Explanation of why expenditures did not provide direct and meaningful benefits to vulnerable populations in overburdened communities and were not formally supported by a Tribal resolution (if applicable).

We note that direct and meaningful benefits and formal Tribal support are also addressed under the baseline CCA law, which states Legislative intent that at least 35 percent of funds (with a goal of 40 percent) will be used to provide direct and meaningful benefits to vulnerable populations in overburdened communities, and for at least 10 percent of total investments to go to programs, activities, or projects formally supported by a Tribal resolution. To know they

are meeting the baseline requirements in the CCA law, agencies must already undertake efforts to identify what these benefits and support are, and whether the percentages of funding are meeting statutory targets.

Baseline 1 comparison – appropriation overburdened community reporting

Compared to a baseline in which recipients must continue to report information related to overburdened communities and formal support by Tribes, the proposed rule would result in benefits of:

- Additional recipient accountability related to identification and involvement of vulnerable populations and overburdened communities.
- Time savings of rapid access to information rather than Ecology collecting the same information via additional outreach and requests.

We estimated time savings by assuming between 2 and 4 hours spent collecting detailed information in response to Ecology requests. At a \$50 wage rate (see Section 3.2.4.1 for detail), this would be a savings of \$100 to \$200 per appropriation.

Additional recipient accountability benefits the public by ensuring vulnerable population and overburdened community identification, investigation, and outreach are completed in ways appropriate to each type and location of expenditure. The same methods and data may not be appropriate for all situations, but requiring this information be submitted in reporting provides the Legislature, WA Environmental Justice Council, and other decisionmakers with detailed insight into whether statewide spending is achieving CCA law goals related to these communities and populations. It is also more transparent for the public, providing another layer of information with which community members may verify they are appropriately involved and accurately represented.

Baseline 2 comparison – appropriation overburdened community reporting

Compared to a baseline in which recipients do not need to continue to report information related to overburdened communities and formal support by Tribes beyond 2025, the proposed rule would result in benefits of:

- Additional recipient accountability related to identification and involvement of vulnerable populations and overburdened communities.
- Time savings of rapid access to information rather than Ecology collecting the same information via additional outreach and requests.

We estimated time savings by assuming between 2 and 4 hours spent collecting detailed information in response to Ecology requests. At a \$50 wage rate (see Section 3.2.4.1 for detail), this would be a savings of \$100 to \$200 per appropriation.

Additional recipient accountability benefits the public by ensuring vulnerable population and overburdened community identification, investigation, and outreach are completed in ways appropriate to each type and location of expenditure. The same methods and data may not be appropriate for all situations, but requiring this information be submitted in reporting provides the Legislature, WA Environmental Justice Council, and other decisionmakers with detailed

insight into whether statewide spending is achieving CCA law goals related to these communities and populations. It is also more transparent for the public, providing another layer of information with which community members may verify they are appropriately involved and accurately represented. Beginning in 2026, this would expand to including all information related to overburdened communities and vulnerable populations.

3.2.4.4 Summary of appropriation reporting benefits

Baseline 1 comparison – appropriation reporting summary

Compared to Baseline 1, the proposed rule requirements applicable to appropriations would result in benefits of \$104 to \$208 per appropriation. To identify the potential aggregate number of appropriations from CCA accounts, we used OFM summary data for the enacted 2023-2025 Omnibus Operating, Capital, and Transportation budgets.²⁹ We identified 214 relevant appropriations. Multiplying by total appropriation counts, we estimated total benefits resulting from this part of the proposed rule of \$22,292 to \$44,583 in the first year, rising to between \$23,183 and \$45,475 over 20 years. Converting this stream of costs over time to present value, this part of the proposed rule would result in **between \$0.4 million and \$0.8 million in present value over 20 years.**³⁰

The proposed rule would also result in additional recipient accountability. Additional accountability benefits the public by ensuring vulnerable population and overburdened community identification, investigation, and outreach are completed in ways appropriate to each type and location of expenditure. The same methods and data may not be appropriate for all situations, but requiring this information be submitted in reporting provides the Legislature, WA Environmental Justice Council, and other decisionmakers with detailed insight into whether statewide spending is achieving CCA law goals related to these communities and populations. It is also more transparent for the public, providing another layer of information with which community members may verify they are appropriately involved and accurately represented.

Baseline 2 comparison – appropriation reporting summary

Compared to Baseline 2, the proposed rule requirements applicable to appropriations would result in benefits of \$156 to \$287 per appropriation in the first 5 years, \$183 to \$340 in the next 5 years, and \$209 to \$313 in subsequent years.

To identify the potential aggregate number of appropriations from CCA accounts, we used OFM summary data for the enacted 2023-2025 Omnibus Operating, Capital, and Transportation budgets.³¹ We identified 214 relevant appropriations. Multiplying by total appropriation counts,

²⁹ WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023.

³⁰ Present values convert streams of costs and benefits to current values that account for inflation and the opportunity cost of capital. Ecology uses a discount rate estimating the social rate of time preference, based on historic real (inflation-adjusted) rates of return on US Treasury I Bonds: US Treasury Department, 2024. Treasury Direct I bonds interest rates. <https://treasurydirect.gov/savings-bonds/i-bonds/i-bonds-interest-rates/#:~:text=The%20composite%20rate%20for%20I,through%20April%202024%20is%205.27%25>.

³¹ WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023.

we estimated total benefits resulting from this part of the proposed rule of \$33,348 to \$61,347 in the first year, rising to between \$44,762 and \$84,173 over 20 years. Converting this stream of costs over time to present value, this part of the proposed rule would result in **between \$0.7 million and \$1.4 million in present value over 20 years.**³²

The proposed rule would also result in additional recipient accountability, to some extent through 2025, but significantly beginning in 2026. Additional accountability benefits the public by ensuring vulnerable population and overburdened community identification, investigation, and outreach are completed in ways appropriate to each type and location of expenditure. The same methods and data may not be appropriate for all situations, but requiring this information be submitted in reporting provides the Legislature, WA Environmental Justice Council, and other decisionmakers detailed insight and confidence in achieving CCA law goals related to these communities and populations. It is also more transparent for the public, providing another layer of information with which community members may verify they are appropriately involved and accurately represented. Beginning in 2026, this information and transparency benefit would expand from the additional information in the proposed rule that isn't in the 2023-2025 Operating Budget, to the full scope of information reported about vulnerable populations and overburdened communities.

4.2.5 Add information that must be reported about funding agreements

We expect this element of the proposed rule to result in additional reporting associated with funding agreements as discussed in the following subsections.

4.2.5.1 Administrative information reporting benefits

For administrative information, we expect administrative efficiency benefits associated with reporting information about each funding agreement, which is known to the recipient. Under the baseline, Ecology would still need to know this information, and if it was not voluntarily reported, Ecology would need to reach out to recipients to collect it. We assumed this additional outreach would be minor, given the straightforward types of information needed, taking 5 to 10 minutes of recipient time per appropriation. At a \$50 wage rate (see Section 3.2.4.1 for detail), this would cost between \$4 and \$8 per appropriation.

4.2.5.2 GHG and other emissions reduction reporting benefits

For emissions reduction information, we expect benefits of emissions calculation accuracy and efficiency, facilitated by direct agreements and engagement with sub-recipients. Since the baseline requires this information to be included in Ecology's report to the Legislature, we

³² Present values convert streams of costs and benefits to current values that account for inflation and the opportunity cost of capital. Ecology uses a discount rate estimating the social rate of time preference, based on historic real (inflation-adjusted) rates of return on US Treasury I Bonds: US Treasury Department, 2024. Treasury Direct I bonds interest rates. <https://treasurydirect.gov/savings-bonds/i-bonds/i-bonds-interest-rates/#:~:text=The%20composite%20rate%20for%20I,through%20April%202024%20is%205.27%25>.

compare the proposed rule to two baseline options that depend on interpretation of the baseline requirements:

1. The baseline requirements for Ecology's report intend emissions impacts to be reported by recipients.
2. The baseline requirements for Ecology's report intend Ecology to calculate emissions impacts, based on information reported by recipients.

Baseline 1 comparison – funding agreement GHG reporting

Compared to a baseline in which recipients report GHG emissions impacts, the proposed rule would not generate significant benefits beyond clarity in which expenditures are exempt because they are not project types likely to impact emissions.

Baseline 2 comparison – funding agreement GHG reporting

Compared to a baseline in which information is reported by recipients to facilitate Ecology calculation of GHG emissions impacts, the proposed rule is likely to result in:

- Time savings of rapid access to information rather than Ecology collecting the same information via additional outreach and requests.
- Recipient accountability for their emissions impacts and calculations.

We estimated time savings by assuming between 2 and 4 hours spent collecting detailed information in response to Ecology requests. At a \$50 wage rate (see Section 3.2.4.1 for detail), this would be a savings of \$80 to \$160 per funding agreement, accounting for 20% of appropriations not having GHG impacts.

4.2.5.3 Tribal support and overburdened community reporting benefits

For information about Tribes and overburdened communities, we expect environmental justice accuracy, transparency, and accountability benefits associated with reporting this information. Since these baseline reporting requirements are based in the Operating Budget, which only applies to fiscal years 2023-2025, we compare the proposed rule to two baseline options that depend on assumptions about the baseline beginning in 2026:

1. Similar baseline requirements would be set in all subsequent operating budgets. Only the additional elements in the proposed rule would continue to result in costs.
2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the proposed rule's requirements related to vulnerable population and overburdened community reporting would result in costs of reporting:
 - Amount of each expenditure that provides direct and meaningful benefits to vulnerable populations in overburdened communities.
 - Explanation of how it provides those benefits.
 - Methods by which overburdened communities and vulnerable populations were identified, including the geographic area impacted (where relevant), and geographic boundaries of the overburdened communities.

- The amount of each expenditure used for programs, activities, or projects formally supported by a resolution of an Indian Tribe.
- Explanation of why expenditures did not provide direct and meaningful benefits to vulnerable populations in overburdened communities and were not formally supported by a Tribal resolution (if applicable).

We note that direct and meaningful benefits and formal Tribal support are also addressed under the baseline CCA law, which states Legislative intent that at least 35 percent of funds (with a goal of 40 percent) will be used to provide direct and meaningful benefits to vulnerable populations in overburdened communities, and for at least 10 percent of total investments to go to programs, activities, or projects formally supported by a Tribal resolution. To know they are meeting the baseline requirements in the CCA law, agencies must already undertake efforts to identify what these benefits and support are, and whether the percentages of funding are meeting statutory targets.

Baseline 1 comparison – funding agreement overburdened community reporting

Compared to a baseline in which recipients must continue to report information related to overburdened communities and formal support by Tribes, the proposed rule would result in benefits of:

- Additional recipient accountability related to identification and involvement of vulnerable populations and overburdened communities.
- Time savings of rapid access to information rather than Ecology collecting the same information via additional outreach and requests.

We estimated time savings by assuming between 2 and 4 hours spent collecting detailed information in response to Ecology requests. At a \$50 wage rate (see Section 3.2.4.1 for detail), this would be a savings of \$100 to \$200 per funding agreement.

Additional recipient accountability benefits the public by ensuring vulnerable population and overburdened community identification, investigation, and outreach are completed in ways appropriate to each type and location of expenditure. The same methods and data may not be appropriate for all situations, but requiring this information be submitted in reporting provides the Legislature, WA Environmental Justice Council, and other decisionmakers with detailed insight into whether statewide spending is achieving CCA law goals related to these communities and populations. It is also more transparent for the public, providing another layer of information with which community members may verify they are appropriately involved and accurately represented.

Baseline 2 comparison – funding agreement overburdened community reporting

Compared to a baseline in which recipients do not need to continue to report information related to overburdened communities and formal support by Tribes beyond 2025, the proposed rule would result in benefits of:

- Additional recipient accountability related to identification and involvement of vulnerable populations and overburdened communities.

- Time savings of rapid access to information rather than Ecology collecting the same information via additional outreach and requests.

We estimated time savings by assuming between 2 and 4 hours spent collecting detailed information in response to Ecology requests. At a \$50 wage rate (see Section 3.2.4.1 for detail), this would be a savings of \$100 to \$200 per funding agreement.

Additional recipient accountability benefits the public by ensuring vulnerable population and overburdened community identification, investigation, and outreach are completed in ways appropriate to each type and location of expenditure. The same methods and data may not be appropriate for all situations, but requiring this information be submitted in reporting provides the Legislature, WA Environmental Justice Council, and other decisionmakers with detailed insight into whether statewide spending is achieving CCA law goals related to these communities and populations. It is also more transparent for the public, providing another layer of information with which community members may verify they are appropriately involved and accurately represented. Beginning in 2026, this would expand to including all information related to overburdened communities and vulnerable populations.

3.2.5.4 Summary of funding agreement reporting benefits

Baseline 1 comparison – funding agreement reporting summary

Compared to Baseline 1, the proposed rule requirements applicable to appropriations would result in benefits of \$104 to \$208 per appropriation. To identify the potential aggregate number of funding agreements resulting from appropriations from CCA accounts, we used OFM summary data for the enacted 2023-2025 Omnibus Operating, Capital, and Transportation budgets,³³ data on WA Department of Transportation (WSDOT) awards for 2023-2025,³⁴ and data on Ecology awards for 2023-2025.³⁵ We calculated the average dollars awarded to each agreement, which ranged between \$253,486 and \$6.3 million. We note that this range was narrower for Ecology awards than for WSDOT awards, indicating smaller variability. Central

³³ WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023.

³⁴ WA Department of Transportation, 2024. Grant website award lists explicitly stating CCA account funding sources. Accessed March 2024: <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/consolidated>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/green-transportation-capital>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/paratransit-special-needs-and-rural-mobility-competitive>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/paratransit-special-needs-and-rural-mobility-formula-grants>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/transit-support-grant>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/transit-coordination>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/state-buses-and-bus-facilities>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/transportation-demand-management-grants>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/tribal-transit-mobility>; <https://wsdot.wa.gov/business-wsdot/grants/port-electrification-grant>.

³⁵ WA Department of Ecology, 2024. Ecology Grants and Loans (2014 – present) map and underlying Ecology’s Administration of Grants and Loans (EAGL) database. <https://apps.ecology.wa.gov/eaglmap/>.

estimates of dollars per agreement ranged between \$0.8 and \$1.8 million. As both agencies from which data was available will likely receive larger appropriations over time and may also have different types of projects and programs than other recipients, we rounded the overall central estimate of dollars per agreement down to \$1 million (rather than \$1.2 million). This assumption is intended to capture variability across agencies, and to err on the side of overestimating the number of affected funding agreements.

We identified a statewide total of 1,032 relevant funding agreements, by dividing total appropriation amounts by \$1 million. Because not all appropriations result in funding agreements, we made a simplifying assumption that funding agreements would come from appropriations in the operating and transportation budgets. We acknowledge that it is not universally the case that capital budget appropriations would be directly expended, or that no operating budget appropriations would be directly expended, but based on the relative scale of the budgets, we made this assumption to mitigate likelihood of underestimating these costs while not assuming universal pass-through of all appropriated funds.

Multiplying by total funding agreement counts, we estimated total benefits resulting from this part of the proposed rule of \$107,525 to \$215,051 in the first year, rising to between \$111,826 and \$219,352 over 20 years. Converting this stream of costs over time to present value, this part of the proposed rule would result in **between \$2.0 million and \$4.0 million in present value over 20 years.**³⁶

The proposed rule would also result in additional recipient accountability. Additional accountability benefits the public by ensuring vulnerable population and overburdened community identification, investigation, and outreach are completed in ways appropriate to each type and location of expenditure. The same methods and data may not be appropriate for all situations, but requiring this information be submitted in reporting provides the Legislature, WA Environmental Justice Council, and other decisionmakers with detailed insight into whether statewide spending is achieving CCA law goals related to these communities and populations. It is also more transparent for the public, providing another layer of information with which community members may verify they are appropriately involved and accurately represented.

Baseline 2 comparison – funding agreement reporting summary

Compared to Baseline 2, the proposed rule requirements applicable to appropriations would result in benefits of \$131 to \$262 per appropriation in the first 5 years, \$158 to \$315 in the next 5 years, and \$184 to \$368 in subsequent years.

Multiplying by total funding agreement counts, we estimated total benefits resulting from this part of the proposed rule of \$135,052 to \$270,104 in the first year, rising to between \$190,105 and \$380,210 over 20 years. Converting this stream of costs over time to present value, this

³⁶ Present values convert streams of costs and benefits to current values that account for inflation and the opportunity cost of capital. Ecology uses a discount rate estimating the social rate of time preference, based on historic real (inflation-adjusted) rates of return on US Treasury I Bonds: US Treasury Department, 2024. Treasury Direct I bonds interest rates. <https://treasurydirect.gov/savings-bonds/i-bonds/i-bonds-interest-rates/#:~:text=The%20composite%20rate%20for%20I,through%20April%202024%20is%205.27%25>.

part of the proposed rule would result in **between \$3.1 million and \$6.1 million in present value over 20 years.**³⁷

The proposed rule would also result in additional recipient accountability, to some extent through 2025, but significantly beginning in 2026. Additional accountability benefits the public by ensuring vulnerable population and overburdened community identification, investigation, and outreach are completed in ways appropriate to each type and location of expenditure. The same methods and data may not be appropriate for all situations, but requiring this information be submitted in reporting provides the Legislature, WA Environmental Justice Council, and other decisionmakers with detailed insight into whether statewide spending is achieving CCA law goals related to these communities and populations. It is also more transparent for the public, providing another layer of information with which community members may verify they are appropriately involved and accurately represented. Beginning in 2026, this information and transparency benefit would expand from the additional information in the proposed rule that isn't in the 2023-2025 Operating Budget, to the full scope of funding agreement information reported about vulnerable populations and overburdened communities.

4.2.6 Add information that must be reported about direct and meaningful benefits

We expect this element of the proposed rule to result in benefits of administrative efficiency and environmental justice transparency, accountability, and accuracy. Requiring recipients to provide this information could also support greater attention paid to the process of identifying and engaging with vulnerable populations and overburdened communities. This supporting information would already have been generated by recipients to ensure they are meeting the requirements of the baseline CCA law. Since the baseline reporting requirements are based in the Operating Budget, which only applies to fiscal years 2023-2025, we compare the proposed rule to two baseline options that depend on assumptions about the baseline beginning in 2026:

1. Similar baseline requirements would be set in all subsequent operating budgets. Only the additional elements in the proposed rule would continue to result in costs.
2. Starting in 2026, there is no baseline requirement to report this information.

We note that direct and meaningful benefits and formal Tribal support are also addressed under the baseline CCA law, which states Legislative intent that at least 35 percent of funds (with a goal of 40 percent) will be used to provide direct and meaningful benefits to vulnerable populations in overburdened communities, and for at least 10 percent of total investments to go to programs, activities, or projects formally supported by a Tribal resolution. To know they are meeting the baseline requirements in the CCA law, agencies must already undertake efforts to identify what these benefits and support are, and whether the percentages of funding are meeting statutory targets.

Baseline 1 comparison – direct and meaningful benefits

³⁷ Ibid.

We expect this portion of the proposed rule to result in additional benefits of avoided time cost researching and responding to Ecology requests, as compared to Baseline 1. As it is possible these benefits for this part of the proposed rule are already reflected in estimates for section 4.2.6, above, we do not duplicate those quantified benefits here.

The proposed rule would also result in additional recipient accountability. Additional accountability benefits the public by ensuring vulnerable population and overburdened community identification, investigation, and outreach are completed in ways appropriate to each type and location of expenditure. The same methods and data may not be appropriate for all situations, but requiring this information be submitted in reporting provides the Legislature, WA Environmental Justice Council, and other decisionmakers with detailed insight into whether statewide spending is achieving CCA law goals related to these communities and populations. It is also more transparent for the public, providing another layer of information with which community members may verify they are appropriately involved and accurately represented.

Baseline 2 comparison – direct and meaningful benefits

We expect this portion of the proposed rule to result in additional benefits of avoided time cost researching and responding to Ecology requests, as compared to Baseline 1. As it is possible these benefits for this part of the proposed rule are already reflected in estimates for section 4.2.6, above, we do not duplicate those quantified benefits here.

The proposed rule would also result in additional recipient accountability, to some extent through 2025, but significantly beginning in 2026. Additional accountability benefits the public by ensuring vulnerable population and overburdened community identification, investigation, and outreach are completed in ways appropriate to each type and location of expenditure. The same methods and data may not be appropriate for all situations, but requiring this information be submitted in reporting provides the Legislature, WA Environmental Justice Council, and other decisionmakers with detailed insight into whether statewide spending is achieving CCA law goals related to these communities and populations. It is also more transparent for the public, providing another layer of information with which community members may verify they are appropriately involved and accurately represented. Beginning in 2026, this information and transparency benefit would expand from the additional information in the proposed rule that isn't in the 2023-2025 Operating Budget, to the full scope of funding agreement information reported about vulnerable populations and overburdened communities.

4.2.7 Add information that must be reported about changes over time

We expect this element of the proposed rule to result in benefits of improved accuracy over time with regard to expenditure implementation, emissions impacts, and benefits to vulnerable populations in overburdened communities. Projects may change during implementation, due to unforeseen circumstances or simply new information about effects, including impacts on communities and exogenous impacts to funding (from other funding sources). Aspects of the project may also change due to unexpected changes in resource availability or pricing.

When projects, programs, or other activities funded using CCA funds change, their impacts to emissions and communities may change. The proposed rule does not require tracking of projects over time to identify these changes, but if a recipient chooses to track a project, they

would be required to report any changes to previously reported information. This allows reporting under the proposed rule to better fulfill the goals of Ecology’s report, in providing updated information to the Legislature, WA Environmental Justice Council, and other decisionmakers. This part of the proposed rule also creates a reporting space for recipients to identify and explain why changes may have occurred. This is information that may be valuable to future planning by all recipients and benefit the public through projects with better-informed expectations.

4.2.8 Add information that must be reported about employment quality (CIA only)

We expect this element of the proposed rule to result in benefits of consistency in ensuring projects funded by the CCA accounts are meeting their statutory goals. In RCW 70A.65.250, the CCA law requires projects and activities funded from the Climate Investment Account (CIA) to meet high labor standards, including:

- Family sustaining wages.
- Providing benefits including health care and employer-contributed retirement plans.
- Career development opportunities.

Projects and activities must also maximize access to economic benefits from such projects for local workers and diverse businesses.

By requiring reporting on employment attributes of CIA funds, the proposed rule creates a consistent location for this additional CCA account information to be reported and compiled. By combining it with other reporting requirements, the proposed rule seeks to minimize this reporting burden (compared to separate and potentially differently constructed and/or timed reporting). Finally, the proposed rule provides all information about the impacts of CCA account spending – administrative, GHG impacts, vulnerable population and overburdened community, and employment in part related to local workers and diverse businesses – in one place for decisionmakers.

4.2.9 Exempt certain Tribal information from reporting

We expect this element of the proposed rule to result in benefits of avoiding disclosure of information that may affect Tribal interests. Without this provision, disclosure of proprietary and cultural information could pose risk to various Tribal interests, including property rights and treaty rights.

4.2.10 Establish a process for identifying and approving GHG emissions reduction calculation methods and tools

We expect this element of the proposed rule to mitigate costs associated with agencies individually developing various emissions calculation methods, as they would under the baseline. As discussed in corresponding Section 3.2.10, estimating the time it would take recipients to notify and collaborate with Ecology – including gathering information, data management, and preliminary identification of potential methodologies and tools – is difficult.

This is because identification and adaptation of each appropriate tool, and any additional adjustments, would require highly variable levels of work and engagement, depending on the type of project and methodology or tool. It is additionally complicated by the potential for multiple agencies to provide input toward one methodology and tool. This is the case for both cost estimation and benefit estimation.

Rather than estimating the full direct costs and benefits of this element of the proposed rule (which would entail estimating the costs of recipient effort under the baseline and proposed rule, including additional assumptions about individual recipient workload and effort-sharing for each methodology and tool), we approached these costs and benefits in a net-impact context. That is, we considered the relative size of costs and benefits while holding the effort it takes to complete support work for any given GHG emissions reduction calculation methodology constant.

To understand the relative size of costs under the baseline and proposed rule, we considered the factors that scale total costs up from the cost of developing one single methodology and tool. These include:

- Number of recipients needing GHG emissions reduction calculation methodologies and tools: We assumed 25 to 30 agencies and universities could potentially need methodologies and tools.³⁸
- Number of possible methodologies and tools: CARB currently lists a total of 52 GHG emissions methods and tools approved for calculating GHG emissions impacts of projects funded by revenues from their GHG emissions allowance market.³⁹
 - Transportation and sustainable communities: 20
 - Clean energy and energy efficiency: 9
 - Natural resources and waste diversion: 18
 - Cross-sectoral projects: 5
- Share of methodologies and tools applicable to a given recipient:
 - A low share of 1/10.
 - A high share of 1/5.

³⁸ Note that throughout this analysis we assume 35 agencies and universities receive CCA funding, based on appropriations in the 2023-2025 budget. We cannot predict future appropriation decisions made by the Legislature, so this number could be higher or lower in the future, and corresponding costs and benefits would be lower.

³⁹ California Air Resources Board, 2024. CCI Quantification, Benefits, and Reporting Materials. Accessed March 2024. <https://ww2.arb.ca.gov/resources/documents/cci-quantification-benefits-and-reporting-materials>. Note that additional methodologies and tools may be developed in California or Washington State over time, as project types develop. These include emerging GHG emissions-reduction, carbon-capture, and energy sector technologies and novel approaches. Due to uncertainty in whether and when additional types of methods may be needed and developed, we did not include them in this analysis.

Under the baseline, total costs would be the product of cost per tool and the scaling factors above:

- Low: (25 recipients) x (1/10 applicable technologies) x (52 potential tools) x (cost/tool)
- High: (30 recipients) x (1/5 applicable technologies) x (52 potential tools) x (cost/tool)

Under the proposed rule, recipients would work in collaboration with Ecology and potentially with other agencies (assumed to correspond to collaborative work internally or with a consultant under the baseline). Due to the efficiency of centralization and ability of recipients to use tools already developed and approved through collaboration between Ecology and other recipients, total costs in this case would be the product of cost per tool and the number of potential tools:

- (52 potential tools) x (cost/tool)

Comparing the combined scaling factors above under the baseline to those under the proposed rule, and simplifying, gives ratios between baseline costs and costs under the proposed rule of:

- Low: 2.5 to 1.
- High: 6 to 1.

By moving from the baseline to the proposed rule, the total cost of developing and adapting appropriate GHG emissions reduction calculation methodologies and tools could **drop by between 60% and 83%**. Recall that this range reflects the impact on total costs across all recipients, and the relative costs borne by any given recipient may be reduced by more (if using a methodology developed for another agency) or less (if doing most or all of the same work in collaboration with Ecology as they would individually under the baseline).

Illustrative example

While we could not confidently identify a typical recipient cost per methodology development, we acknowledge the above approach does not fully monetize this benefit. For illustrative purposes, however, we note that in communication with WSDOT, we identified a potential total cost of methodology development for multiple, complex GHG emissions reduction project types, of over \$840 thousand.⁴⁰ Assuming WSDOT project types roughly correspond to approved CARB methodologies categorized as “Transportation and sustainable communities” (20 methodologies). The average cost per methodology would be \$42 thousand. A 60% to 83% reduction in this cost (through methodology approval and sharing across agencies, allowing other agencies to avoid incurring duplicative costs for individual effort) would be between approximately \$25 thousand and \$35 thousand per methodology (for the 52 methodologies identified by CARB, this would be \$1.3 million to \$1.8 million).

We reiterate the above dollar values are for illustrative purposes of the scale of a reduction in aggregate costs across all affected recipients. In reality, these reductions would depend on whether and to what extent methodologies developed for WSDOT projects would be usable by

⁴⁰ This includes existing and prospective direct contracting expenditures, as well as building on methodologies developed under a separate effort by the WA Legislature Joint Transportation Committee.

other recipients, and would be lower in this illustrative example if methodologies developed for WSDOT project types were not easily transferrable to GHG emissions reduction projects funded through other recipients.

Chapter 5: Cost-Benefit Comparison and Conclusions

5.1 Summary of costs and benefits of the proposed rule

5.1.1 Costs

We estimated the following costs would likely result from the proposed rule, as compared to Baseline 1. Baseline 1 differs from Baseline 2 (below) in the following ways:

- Including GHG emissions reduction calculation requirement for recipients.
- Ongoing requirement to report overburdened community impacts and formal Tribal support.

Table 5. 20-year present value costs of the proposed rule, as compared to Baseline 1 (2024)

| Cost category (Baseline 1) | Low | High |
|--|----------------------|----------------------|
| Notice to recipients deadline | \$0 | \$0 |
| Appropriation reporting | \$409,758 | \$694,804 |
| Funding agreement reporting | \$1,976,496 | \$3,351,438 |
| Overburdened communities and Tribal agreements | \$94,655 | \$189,310 |
| Changes over time | \$28,397 | \$56,793 |
| Climate Investment Account | \$2,734 | \$5,469 |
| GHG emissions reduction calculation methodology and tools (netted with benefits) | See Table 7 | See Table 7 |
| Total quantifiable present value: | \$2.5 million | \$4.3 million |

We estimated the following costs would likely result from the proposed rule, as compared to Baseline 2. Baseline 2 differs from Baseline 1 (above) in the following ways:

- GHG emissions reduction calculations performed by Ecology.
- Requirement to report overburdened community impacts and formal Tribal support stops after fiscal year 2025.

Table 6. 20-year present value costs of the proposed rule, as compared to Baseline 2 (2024)

| Cost category (Baseline 2) | Low | High |
|--|----------------------|----------------------|
| Notice to recipients deadline | \$0 | \$0 |
| Appropriation reporting | \$647,591 | \$1,275,605 |
| Funding agreement reporting | \$3,123,703 | \$6,152,972 |
| Overburdened communities and Tribal agreements | \$94,655 | \$189,310 |
| Changes over time | \$28,397 | \$56,793 |
| Climate Investment Account | \$2,734 | \$5,469 |
| GHG emissions reduction calculation methodology and tools (netted with benefits) | See Table 8 | See Table 8 |
| Total quantifiable present value: | \$3.9 million | \$7.8 million |

5.1.2 Benefits

We estimated the following benefits would likely result from the proposed rule, as compared to Baseline 1. Baseline 1 differs from Baseline 2 (below) in the following ways:

- Including GHG emissions reduction calculation requirement for recipients.
- Ongoing requirement to report overburdened community impacts and formal Tribal support.

Table 7. 20-year present value benefits of the proposed rule, as compared to Baseline 1 (2024)

| Benefit category (Baseline 1) | Low | High |
|--|----------------------|----------------------|
| Notice to recipients deadline | Qualitative* | Qualitative* |
| Appropriation reporting | \$406,345 | \$812,690 |
| Funding agreement reporting | \$1,997,480 | \$3,957,513 |
| Overburdened communities and Tribal agreements | Qualitative* | Qualitative* |
| Changes over time | Qualitative* | Qualitative* |
| Climate Investment Account | Qualitative* | Qualitative* |
| GHG emissions reduction calculation methodology and tools (net of costs) | 60% reduction | 83% reduction |
| Total quantifiable present value: | \$2.4 million | \$4.8 million |

* See discussion of qualitative benefits below

We estimated the following costs would likely result from the proposed rule, as compared to Baseline 2. Baseline 2 differs from Baseline 1 (above) in the following ways:

- GHG emissions reduction calculations performed by Ecology.
- Requirement to report overburdened community impacts and formal Tribal support stops after fiscal year 2025.

Table 8. 20-year present value benefits of the proposed rule, as compared to Baseline 2 (2024)

| Benefit category (Baseline 2) | Low | High |
|--|----------------------|----------------------|
| Notice to recipients deadline | Qualitative* | Qualitative* |
| Appropriation reporting | \$733,821 | \$1,370,119 |
| Funding agreement reporting | \$3,069,230 | \$6,138,461 |
| Overburdened communities and Tribal agreements | Qualitative* | Qualitative* |
| Changes over time | Qualitative* | Qualitative* |
| Climate Investment Account | Qualitative* | Qualitative* |
| GHG emissions reduction calculation methodology and tools (net of costs) | 60% reduction | 83% reduction |
| Total quantifiable present value: | \$3.8 million | \$7.5 million |

* See discussion of qualitative benefits below

Qualitative benefits

We identified the following qualitative benefits of the proposed rule. See chapter 4 for discussion of each of these benefits.

- At least one year of notice to recipients, to prepare for when and how to report.
- Mitigated GHG emissions impact reporting costs associated with project types exempt from emissions reporting.
- Additional recipient accountability for their emissions impacts and calculations.

- Additional recipient accountability related to identification and involvement of vulnerable populations and overburdened communities.
- Consistent future environmental justice transparency, accountability, and accuracy.
- Updated reporting information over time, for expenditures that choose to track this information, and the ability to reflect changes to project or program development, implementation, or impacts.
- Capturing additional information about high labor standards in employment funded from the Climate Investment Account.
- Avoided risk of disclosure of proprietary and cultural information that could affect Tribal interests, including property rights and treaty rights.
- Consistent GHG emissions reduction calculation methodology across similar projects, allowing for more appropriately comparable results.

5.2 Sources of uncertainty and variability

Due to limited data and information, and considerable variability in potential impacts of the proposed rule, we made a number of simplifying assumptions to reduce compounding uncertainty in calculations. Sources of uncertainty and variability include:

- The number of appropriations received by each recipient over time.
- The number of financial agreements funded by each agency and from each appropriation over time.
- Recipient staff number and types involved in reporting.
- Variability in CCA auction revenues over time.
- Reporting effort by each recipient.
- Degree to which recipients choose to delegate or set requirements for sub-recipients to perform reporting-related activities.
- Types and frequency of approvals of GHG emissions reduction calculation methodologies over time.
- Recipient costs of developing GHG emissions reduction calculation methodologies and tools.

The following table summarizes the impacts of changing our assumptions on our results.

Table 9. Sources of uncertainty and variability

| Uncertainty | Effects of alternative assumptions |
|--------------------------------------|---|
| Number of appropriations | <p>Variable impact, scalable. Higher numbers of appropriations increase associated costs and benefits; lower numbers decrease them. As we estimated costs and benefits multiplicatively, changes to this underlying assumption would scale cost and benefit estimates for:</p> <ul style="list-style-type: none"> • Appropriation reporting • Funding agreement reporting • Overburdened communities and Tribal agreements • Changes over time (when recipients choose to track) |
| Number of financial agreements | <p>Variable impact, scalable. Higher numbers of financial agreements increase associated costs and benefits; lower numbers decrease them. As we estimated costs and benefits multiplicatively, changes to this underlying assumption would scale cost and benefit estimates for:</p> <ul style="list-style-type: none"> • Appropriation reporting • Funding agreement reporting • Overburdened communities and Tribal agreements • Changes over time (when recipients choose to track) |
| Number and types of staff | <p>Impact indeterminate. Changes in the number or types of staff performing reporting work could reflect either:</p> <ul style="list-style-type: none"> • Additional complexity of structures underlying reporting, necessitating more overall work effort. • Efficiencies in structures underlying reporting and delegation of tasks across expertise, necessitating less overall work effort. <p>This variation may also change over time as recipients adapt internal processes to reporting requirements, under both the baseline and proposed rule.</p> |
| Auction revenue an CCA account funds | <p>Impact indeterminate. Allowance market prices and volumes will change over time, affecting total funds in CCA accounts then appropriated to recipients. This, in turn, affects the number and types of expenditures and/or funding agreements recipients have.</p> <ul style="list-style-type: none"> • Because appropriation decisions are made by the Legislature, we cannot predict how appropriations will be impacted when there are changes in auction revenues. • With higher or lower types and sizes of appropriations, recipients may choose to lower funding per expenditure type, or they may choose to reduce the number of expenditures. These recipient decisions would determine the resulting impacts on numbers, sizes, and types of expenditures or funding agreements. |
| Reporting effort | <p>Variable impact, scalable. Higher recipient effort than assumed increases associated costs and benefits; lower numbers decrease them. As we estimated costs and benefits multiplicatively, changes to this underlying assumption would scale cost and benefit estimates for:</p> <ul style="list-style-type: none"> • Appropriation reporting • Funding agreement reporting • Overburdened communities and Tribal agreements • Changes over time (when recipients choose to track) |
| Delegation to sub-recipients | <p>Distributive impact. Since the proposed rule sets requirements for recipients (not sub-recipients), each recipient may decide to perform reporting work internally, or may delegate or set requirements for sub-recipients to perform some of the work. While we estimated aggregate costs and benefits assuming all this work is performed by recipients, the choices they make in establishing processes and structures underlying reporting will affect how those costs and benefits are distributed across recipients and sub-recipients.</p> |

| Uncertainty | Effects of alternative assumptions |
|---|--|
| GHG emissions methodology frequency | <p>Present value impact. A more-rapid development and approval of GHG emissions reduction calculation methodologies and tools would shift costs and benefits associated with GHG emissions reduction reporting to occur earlier. For both costs and benefits, this would mean any given year's impact would not be discounted as far into the future, resulting in a higher present value cost or benefit for:</p> <ul style="list-style-type: none"> • Appropriation reporting • Funding agreement reporting |
| Recipient costs of developing methodologies | <p>Impact indeterminate. We did not fully monetize aggregate costs or benefits associated with development of GHG emissions reduction calculation methodologies and tools, and instead focused on the relative size of these costs under the proposed rule as compared to the baseline. This was due to uncertainty and potential high variability in:</p> <ul style="list-style-type: none"> • Necessary recipient effort. • Degree of collaboration between recipients and Ecology. • Level of overlapping project types and multiple-agency collaboration needed. • Complexity and technical needs of development. <p>As we focused on the percentage difference between these costs under the baseline and proposed rule, understanding of what this may mean in dollar terms must account for expectations about costs that would be incurred by a recipient in developing a single methodology. For relatively simple methodologies, a 60% to 83% reduction on average would be smaller than for highly complex methodologies for which comparable tools are difficult to identify and adapt.</p> <p>We also assumed that recipient contribution (internally or with a consultant) needed for methodology development under the baseline was the same as would be required for a recipient collaborating with Ecology under the proposed rule. If these levels of effort differ, the percentage difference between aggregate costs under the baseline and proposed rule would not be linear.</p> |

5.3 Conclusion

We conclude, based on a reasonable understanding of the quantified and qualitative costs and benefits likely to arise from the proposed rule, as compared to the baseline, that the benefits of the proposed rule are greater than the costs.

Chapter 6: Least-Burdensome Alternative Analysis

6.1 Introduction

RCW 34.05.328(1)(c) requires Ecology to “...[d]etermine, after considering alternative versions of the rule and the analysis required under (b), (c), and (d) of this subsection, that the rule being adopted is the least burdensome alternative for those required to comply with it that will achieve the general goals and specific objectives stated under (a) of this subsection.” The referenced subsections are:

- (a) Clearly state in detail the general goals and specific objectives of the statute that the rule implements;
- (b) Determine that the rule is needed to achieve the general goals and specific objectives stated under (a) of this subsection, and analyze alternatives to rule making and the consequences of not adopting the rule;
- (c) Provide notification in the notice of proposed rulemaking under RCW 34.05.320 that a preliminary cost-benefit analysis is available. The preliminary cost-benefit analysis must fulfill the requirements of the cost-benefit analysis under (d) of this subsection. If the agency files a supplemental notice under RCW 34.05.340, the supplemental notice must include notification that a revised preliminary cost-benefit analysis is available. A final cost-benefit analysis must be available when the rule is adopted under RCW 34.05.360;
- (d) Determine that the probable benefits of the rule are greater than its probable costs, taking into account both the qualitative and quantitative benefits and costs and the specific directives of the statute being implemented.

In other words, to be able to adopt the rule, we must determine that the requirements of the rule are the least burdensome set of requirements that achieve the goals and objectives of the authorizing statute(s).

We assessed alternative proposed rule content, and determined whether they met the goals and objectives of the authorizing statute(s). Of those that would meet the goals and objectives, we determined whether those chosen for inclusion in the proposed rule were the least burdensome to those required to comply with them.

6.2 Goals and objectives of the authorizing statute

The authorizing statute for this rule is RCW 70A.65, Climate Commitment Act – Cap and Invest Program and RCW 70A.65.300, Distributions of moneys – Annual Report. Its goals and objectives are:

- For Ecology to annually report all distribution of moneys from the climate commitment act accounts.
- To report the recipients, the amount, the purpose, and the actual end result or use of the funding including whether there were any reductions in greenhouse gas emissions,

the quantity, and the cost per carbon dioxide equivalent metric ton of reduced greenhouse gas emissions.

- To pursue significant reductions of emissions and pollutants in overburdened communities and ensure that funds and programs created provide direct and meaningful benefits to vulnerable populations and overburdened communities.
- To prevent job loss and provide protective measures for transitioning to a clean energy economy.
- To improve public understanding of expenditures from climate commitment act accounts.⁴¹

6.3 Alternatives considered and why they were excluded

We considered the following alternative rule requirements and did not include them in the proposed rule. This list includes alternatives that were suggested by the public during development of the rule, with the intent of mitigating negative impacts, including environmental harms, on vulnerable populations and overburdened communities, and equitably distributing benefits. Each section below explains why we did not include these alternatives.

- Requiring the reporting of co-benefits of emissions reduction.
- Not requiring reporting on the emissions reductions from climate resilience projects.
- Requiring reporting on percentage of funding spent on administrative purposes.
- Requiring reporting on how much funding was received from sources other than CCA funds.
- Requiring reporting on the climate resiliency benefits of projects.
- Removing the requirement for jobs reporting on CIA-funded projects.
- Requiring reporting on job quality and quantity for projects funded by all accounts.
- Not requiring reporting on qualitative data collected through engagement with affected overburdened communities.
- Not requiring agencies to select which type of expenditure they funded in cases where they do not report on emissions reductions.
- Not requiring agencies to let us know if there is not applicable methodology for calculating emissions reductions for their project.

6.3.1 Requiring the reporting of co-benefits of emissions reduction

We considered requiring the reporting of co-benefits of emissions reductions (for example: jobs, air quality improvement, water quality, soil health etc.). However, this is not provided for

⁴¹ <https://fiscal.wa.gov/statebudgets/2023proposals/Documents/co/co5187-S.EAMC-COF-H-2006.4.pdf>.

in the statute and would increase the reporting burden on agencies. We are requiring reporting on “direct and meaningful benefits to vulnerable populations in overburdened communities” and feel that these will overlap considerably with what we considered requiring as far as reporting on co-benefits.

6.3.2 Not requiring reporting on the emissions reductions from climate resilience projects

We considered not requiring recipients to report on the emissions reductions that result from their projects that are focused on climate resilience. However, this would not meet the goal and objective of the statute to report any quantifiable greenhouse gas emissions reductions from projects funded by any climate commitment act account. Not including climate resilience projects on the list of exempt project types will leave Ecology the option to develop methodologies for calculating emissions reductions from climate resilience projects.

6.3.3 Requiring reporting on percentage of funding spent on administrative purposes

We considered requiring reporting on the percentage of funding spent on administrative purposes. However, we determined that this is not provided for in the statute and would increase the burden on agencies, and we did not need this information to calculate cost per carbon dioxide equivalent reduced.

6.3.4 Requiring reporting on how much funding was received from sources other than CCA funds

We considered requiring reporting on how much funding was received from sources other than CCA funds, what those sources were, and the appropriation and funding agreement level. However, we determined that this is not provided for in the statute and would increase the burden on agencies, and we did not need this information to calculate cost per carbon dioxide equivalent reduced.

6.3.5 Requiring reporting on the climate resiliency benefits of projects

We considered requiring projects to report on the climate resiliency benefits that result from their projects, when relevant, but determined that this is not provided for in the statute and would increase the reporting burden on agencies. In addition we are requiring reporting on “direct and meaningful benefits to vulnerable populations in overburdened communities” and feel that these will overlap considerably with what we considered requiring as far as reporting on climate resiliency benefits.

6.3.6 Removing the requirement for jobs reporting on CIA-funded projects

We considered removing requirements for jobs reporting in CIA-funded projects. However, the CCA specifically requires that projects or activities funded from the CIA account must meet high labor standards according to specific metrics, and there is no other existing mechanism for recipients of appropriations from the CIA account to report on their compliance with those

metrics. Not requiring agencies to report this information would not meet the goal and objective of the statute to prevent job loss and provide protective measures for transitioning to a clean energy economy.

6.3.7 Requiring reporting on job quality and quantity for projects funded by all accounts

We considered requiring reporting on job quality and quantity for projects funded by all accounts, not just the CIA. However, this is not provided for in the statute and would increase the reporting burden on agencies. In addition, we are requiring reporting on “direct and meaningful benefits to vulnerable populations in overburdened communities” and feel that these will overlap to some extent with what we considered requiring as far as comprehensive reporting on job quality and quantity.

6.3.8 Not requiring reporting on qualitative data collected through engagement with affected overburdened communities

We considered not requiring recipients to report qualitative data collected through engagement with affected overburdened communities. However, this requirement was requested during the public comment period and not including it would not meet the goal and objective of the statute to pursue significant reductions of emissions and pollutants in overburdened communities and ensure that funds and programs created provide direct and meaningful benefits to vulnerable populations and overburdened communities.

6.3.9 Not requiring agencies to select which type of expenditure they funded in cases where they do not report on emissions reductions

We considered not requiring agencies to select which type of expenditure they funded in cases where they do not report on emissions reductions. However, this would not meet the goal and objective of the statute to annually report all distribution of moneys from the climate commitment act accounts regardless of whether there were any reductions in greenhouse gas emissions.

6.3.10 Not requiring agencies to let us know if there is not applicable methodology for calculating emissions reductions for their project

We considered not requiring agencies to tell us if there is no applicable emissions reductions methodology for a project they are funding. However, we determined that this may result in Ecology neglecting to approve all the necessary methodologies, which would lead us to not meet the goal and objective of the statute to report any reductions in greenhouse gas emissions, the quantity, and the cost per carbon dioxide equivalent metric ton of reduced greenhouse gas emissions.

6.4 Conclusion

After considering alternatives, within the context of the goals and objectives of the authorizing statute, we determined that the proposed rule represents the least-burdensome alternative of possible rule requirements meeting the goals and objectives.

Chapter 7: Regulatory Fairness Act Compliance

The only entities required to comply with the proposed rule are the recipients of appropriations from the CCA accounts. These entities are government agencies and universities. Recipients may, in turn, choose to have some of the underlying work done by their sub-recipients, but the proposed rule does not apply any requirements to those entities. Therefore, this rule does not impose compliance costs on small businesses, and this rulemaking is exempt from analysis under the Regulatory Fairness Act (Chapter 19.85 RCW) according to RCW 19.85.025(4) which states, “This chapter does not apply to the adoption of a rule if an agency is able to demonstrate that the proposed rule does not affect small businesses.”

References

- California Air Resources Board, 2024. CCI Quantification, Benefits, and Reporting Materials. Accessed March 2024. <https://ww2.arb.ca.gov/resources/documents/cci-quantification-benefits-and-reporting-materials>.
- US Treasury Department, 2024. Treasury Direct I bonds interest rates. <https://treasurydirect.gov/savings-bonds/i-bonds/i-bonds-interest-rates/#:~:text=The%20composite%20rate%20for%20I,through%20April%202024%20is%205.27%25>.
- WA Department of Ecology, 2024. Ecology Grants and Loans (2014 – present) map and underlying Ecology’s Administration of Grants and Loans (EAGL) database. <https://apps.ecology.wa.gov/eaglmap/>.
- WA Department of Transportation, 2024. Grant website award lists explicitly stating CCA account funding sources. Accessed March 2024: <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/consolidated>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/green-transportation-capital>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/paratransit-special-needs-and-rural-mobility-competitive>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/paratransit-special-needs-and-rural-mobility-formula-grants>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/transit-support-grant>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/transit-coordination>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/state-buses-and-bus-facilities>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/transportation-demand-management-grants>; <https://wsdot.wa.gov/business-wsdot/grants/public-transportation-grants/grant-programs-and-awards/tribal-transit-mobility>; <https://wsdot.wa.gov/business-wsdot/grants/port-electrification-grant>.
- WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023.
- WA Office of Financial Management, 2023. State Officials’ Salaries. Agency Head Salary Schedule. Effective July 1, 2023. https://ofm.wa.gov/sites/default/files/public/shr/CompensationAndJobClasses/Salary%20Schedules/2023SalarySchedules/July_1_2023_Final/SOSA_Eff2023July1_Web.pdf
- WA Office of Financial Management, 2023. Washington Management Service Salary Structure. Effective July 1, 2023. <https://ofm.wa.gov/sites/default/files/public/shr/CompensationAndJobClasses/Salary%20Schedules/2023SalarySchedules/2023%20WMS%20Schedule.pdf>

WA Office of Financial Management, 2024. Classified Job Listing. <https://ofm.wa.gov/state-human-resources/compensation-job-classes/ClassifiedJobListing>.

Appendix A: Administrative Procedure Act (RCW 34.05.328) Determinations

- A. RCW 34.05.328(1)(a) – Clearly state in detail the general goals and specific objectives of the statute that this rule implements.**

See Chapter 6.

- B. RCW 34.05.328(1)(b) –**

- 1. Determine that the rule is needed to achieve the general goals and specific objectives of the statute.**

See chapters 1 and 2.

- 2. Analyze alternatives to rulemaking and the consequences of not adopting this rule.**

Ecology did not consider alternatives to rulemaking as the Climate Commitment Act directs Ecology to adopt a rule to guide reporting by recipients of auction revenue. If Ecology does not undertake this rulemaking, it will not receive the data and information it needs to write the required annual report to the legislature.

Please see the Least Burdensome Alternative Analysis, Chapter 6 of this document, for discussion of alternative rule content considered.

- C. RCW 34.05.328(1)(c) - A preliminary cost-benefit analysis was made available.**

When filing a rule proposal (CR-102) under RCW 34.05.320, Ecology provides notice that a preliminary cost-benefit analysis is available. At adoption (CR-103 filing) under RCW 34.05.360, Ecology provides notice of the availability of the final cost-benefit analysis.

- D. RCW 34.05.328(1)(d) – Determine that probable benefits of this rule are greater than its probable costs, taking into account both the qualitative and quantitative benefits and costs and the specific directives of the statute being implemented.**

See Chapters 1 – 5.

- E. RCW 34.05.328 (1)(e) - Determine, after considering alternative versions of the analysis required under RCW 34.05.328 (b), (c) and (d) that the rule being adopted is the least burdensome alternative for those required to comply with it that will achieve the general goals and specific objectives stated in Chapter 6.**

Please see Chapter 6.

- F. RCW 34.05.328(1)(f) - Determine that the rule does not require those to whom it applies to take an action that violates requirements of another federal or state law.**

This rule would not require covered parties to violate existing federal and state laws and rules. While regulated entities may have reporting requirements under other state rules or

laws, the reporting requirements contained in this rule will not interfere with other reporting requirements.

G. RCW 34.05.328 (1)(g) - Determine that the rule does not impose more stringent performance requirements on private entities than on public entities unless required to do so by federal or state law.

This rule does not impose more stringent performance requirements on private entities than on public entities. Recipients of Climate Commitment Act auction revenue are public agencies, so public agencies are the only entities directly regulated by the rule.

H. RCW 34.05.328 (1)(h) Determine if the rule differs from any federal regulation or statute applicable to the same activity or subject matter.

No. There are no federal statutes that apply to reporting on Climate Commitment Act funding.

If **yes**, the difference is justified because of the following:

- (i) A state statute explicitly allows Ecology to differ from federal standards.
- (ii) Substantial evidence that the difference is necessary to achieve the general goals and specific objectives stated in Chapter 6.

I. RCW 34.05.328 (1)(i) – Coordinate the rule, to the maximum extent practicable, with other federal, state, and local laws applicable to the same subject matter.

There are no federal, state, or local laws applicable to the subject matter contained in this rule.