



## Final Regulatory Analyses:

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Including the:

- Final 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

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For the

**Climate Pollution Reduction Program**

Washington State Department of Ecology  
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# Department of Ecology's Regional Offices

## Map of Counties Served



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

Including the:

Final Cost-Benefit Analysis

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Administrative Procedure Act Determinations

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

Climate Pollution Reduction Program  
Washington State Department of Ecology

Olympia, WA

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# Table of Contents

<b>Table of Contents</b> .....	<b>5</b>
<b>Tables</b> .....	<b>8</b>
<b>Abbreviations and Acronyms</b> .....	<b>9</b>
<b>Executive Summary</b> .....	<b>10</b>
<b>Chapter 1: Background and Introduction</b> .....	<b>16</b>
1.1 Introduction .....	16
1.1.1 Background .....	16
1.1.2 CCA funding accounts.....	17
1.2 Summary of the rule .....	20
1.3 Reasons for the rule .....	20
1.3.1 Reporting requirements: CCA law .....	20
1.3.2 Reporting requirements: Operating budget .....	21
1.4 Document organization .....	21
<b>Chapter 2: Baseline and Adopted Rule</b> .....	<b>22</b>
2.1 Introduction .....	22
2.2 Baseline .....	22
2.3 Adopted rule .....	24
2.3.1 Adding definitions .....	24
2.3.2 Setting a deadline for Ecology notice to recipients.....	27
2.3.3 Establishing cases in which recipients must report quantified greenhouse gas emissions reductions ....	27
2.3.4 Adding information that must be reported about appropriations .....	29
2.3.5 Adding information that must be reported about funding agreements.....	33
2.3.6 Adding information that must be reported about direct and meaningful benefits.....	36
2.3.7 Adding information that must be reported about changes over time.....	38
2.3.8 Adding information that may be reported about employment quality .....	39
2.3.9 Exempting certain Tribal information from reporting .....	40
2.3.10 Establishing a process for identifying and approving greenhouse gas emissions reduction calculation methods and tools .....	40
<b>Chapter 3: Likely Costs of the Rule</b> .....	<b>42</b>
3.1 Introduction .....	42
3.2 Cost analysis.....	42
3.2.1 Adding definitions .....	42
3.2.2 Setting a deadline for Ecology notice to recipients.....	42
3.2.3 Establishing cases in which recipients must report quantified greenhouse gas emissions reductions ....	43
3.2.4 Adding information that must be reported about appropriations .....	43
3.2.5 Adding information that must be reported about funding agreements.....	49
3.2.6 Adding information that must be reported about direct and meaningful benefits.....	56
3.2.7 Adding information that must be reported about changes over time.....	58
3.2.8 Adding information that may be reported about employment quality .....	58
3.2.9 Exempting certain Tribal information from reporting .....	59

3.2.10 Establishing a process for identifying and approving greenhouse gas emissions reduction calculation methods and tools .....	59
3.3 Scaling per-recipient costs .....	59
<b>Chapter 4: Likely Benefits of the Rule .....</b>	<b>61</b>
4.1 Introduction .....	61
4.2 Benefits analysis.....	61
4.2.1 Adding definitions .....	61
4.2.2 Setting a deadline for Ecology notice to recipients.....	61
4.2.3 Establishing cases in which recipients must report quantified greenhouse gas emissions reductions ....	62
4.2.4 Adding information that must be reported about appropriations .....	62
4.2.5 Adding information that must be reported about funding agreements.....	66
4.2.6 Adding information that must be reported about direct and meaningful benefits.....	71
4.2.7 Adding information that must be reported about changes over time.....	73
4.2.8 Adding information that may be reported about employment quality .....	73
4.2.9 Exempting certain Tribal information from reporting .....	74
4.2.10 Establishing a process for identifying and approving greenhouse gas emissions reduction calculation methods and tools .....	74
<b>Chapter 5: Cost-Benefit Comparison and Conclusions .....</b>	<b>77</b>
5.1 Summary of costs and benefits of the rule .....	77
5.1.1 Costs .....	77
5.1.2 Benefits .....	78
5.2 Sources of uncertainty and variability .....	79
5.3 Conclusion.....	82
<b>Chapter 6: Least-Burdensome Alternative Analysis .....</b>	<b>83</b>
6.1 Introduction .....	83
6.2 Goals and objectives of the authorizing statute .....	83
6.3 Alternatives considered and why they were excluded .....	84
6.3.1 Requiring the reporting of co-benefits of emissions reduction .....	85
6.3.2 Not requiring reporting on the emissions reductions from climate resilience projects .....	85
6.3.3 Requiring reporting on percentage of funding spent on administrative purposes.....	85
6.3.4 Requiring reporting on how much funding was received from sources other than CCA funds.....	85
6.3.5 Employment quality alternatives .....	85
6.3.6 Requiring reporting on climate resiliency benefits .....	86
6.3.7 Not requiring reporting on qualitative data collected through engagement with affected overburdened communities.....	86
6.3.8 Not requiring agencies to select which type of expenditure they funded in cases where they do not report on emissions reductions .....	86
6.3.9 Not requiring agencies to let us know if there is not applicable methodology for calculating emissions reductions for their project.....	87
6.3.10 Exempting certain projects from reporting whether they reduce emissions .....	87
6.3.11 Requiring specific information to be reported about changes based on tracking or monitoring.....	87
6.4 Conclusion.....	88
<b>Chapter 7: Regulatory Fairness Act Compliance .....</b>	<b>89</b>

**References.....90**  
**Appendix A: Administrative Procedure Act (RCW 34.05.328) Determinations .....92**

# Tables

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

Table 2. 20-year present value costs of the rule, as compared to Baseline 2 (2024-dollars) ..... 12

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

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

Table 5. 20-year present value costs of the rule, as compared to Baseline 1 (2024-dollars) ..... 77

Table 6. 20-year present value costs of the rule, as compared to Baseline 2 (2024-dollars) ..... 78

Table 7. 20-year present value benefits of the rule, as compared to Baseline 1 (2024-dollars) . 78

Table 8. 20-year present value benefits of the rule, as compared to Baseline 2 (2024 dollars).. 79

Table 9. Sources of uncertainty and variability ..... 80



## 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 <sub>2</sub>	Carbon dioxide
CO <sub>2</sub> e	Carbon dioxide equivalent
EJC	(WA) Environmental Justice Council
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 adopted Climate Commitment Act Funds Reporting rule (Chapter 173-446B WAC; the “rule”). This includes the:

- Final 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 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 November 30<sup>th</sup> for fiscal year 2024, and by September 30 of each year thereafter (RCW 70A.65.300).

Compared to the baseline of requirements in law, the adopted rule:

- Adds definitions.
- Sets a deadline for Ecology to provide notice to recipients on how and when to report.
- Establishes cases in which quantified greenhouse gas emissions reduction reporting is required.
- Adds information that must be reported by funding recipients about:
  - Appropriations.
  - Funding agreements.
  - Direct and meaningful benefits.
  - Changes over time.
  - Employment quality (optional).
- Exempts certain Tribal information from reporting.
- Establishes processes for identifying and approving greenhouse gas emissions reduction calculation methods and tools.

## **Analytic approach and multiple baselines**

We compared the rule to the baseline, which consists of regulatory requirements in the absence of the adopted 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 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 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 rule would have in comparison to the baseline.

### Estimated costs of the rule

We estimated the following costs would likely result from the rule, as compared to Baseline 1. Note that these costs have been updated for this analysis to include appropriations made in the 2024 Supplemental Budget. Baseline 1 differs from Baseline 2 (below) in the following ways:

- Including greenhouse gas 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 rule, as compared to Baseline 1 (2024-dollars)

Cost category (Baseline 1)	Low	High
Notice to recipients deadline	\$0	\$0
Appropriation reporting	\$673,994	\$1,142,855
Funding agreement reporting	\$2,682,839	\$4,549,146
Overburdened communities and Tribal agreements	\$133,155	\$266,310
Changes over time	\$39,946	\$79,893
Greenhouse gas emissions reduction calculation methodology and tools (netted with benefits)	See Table 3	See Table 3
<b>Total quantifiable present value:</b>	<b>\$3.5 million</b>	<b>\$6.0 million</b>

We estimated the following costs would likely result from the rule, as compared to Baseline 2. Note that these costs have been updated for this analysis to include appropriations made in the 2024 Supplemental Budget. Baseline 2 differs from Baseline 1 (above) in the following ways:

- Greenhouse gas 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 rule, as compared to Baseline 2 (2024-dollars)

<b>Cost category (Baseline 2)</b>	<b>Low</b>	<b>High</b>
Notice to recipients deadline	\$0	\$0
Appropriation reporting	\$1,065,197	\$2,098,191
Funding agreement reporting	\$4,240,025	\$8,351,868
Overburdened communities and Tribal agreements	\$133,155	\$266,310
Changes over time	\$39,946	\$79,893
Greenhouse gas emissions reduction calculation methodology and tools (netted with benefits)	See Table 4	See Table 4
<b>Total quantifiable present value:</b>	<b>\$5.5 million</b>	<b>\$10.8 million</b>

### Estimated benefits of the rule

We estimated the following benefits would likely result from the rule, as compared to Baseline 1. Note that these benefits have been updated for this analysis to include appropriations made in the 2024 Supplemental Budget. Baseline 1 differs from Baseline 2 (below) in the following ways:

- Including greenhouse gas 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 rule, as compared to Baseline 1 (2024-dollars)

<b>Benefit category (Baseline 1)</b>	<b>Low</b>	<b>High</b>
Notice to recipients deadline	Qualitative*	Qualitative*
Appropriation reporting	\$668,380	\$1,336,761
Funding agreement reporting	\$2,711,321	\$5,371,815
Overburdened communities and Tribal agreements	Qualitative*	Qualitative*
Changes over time	Qualitative*	Qualitative*
Greenhouse gas emissions reduction calculation methodology and tools (net of costs)	60% reduction	83% reduction
<b>Total quantifiable present value:</b>	<b>\$3.4 million</b>	<b>\$6.7 million</b>

\* See discussion of qualitative benefits below

We estimated the following benefits would likely result from the rule, as compared to Baseline 2. Note that these benefits have been updated for this analysis to include appropriations made in the 2024 Supplemental Budget. Baseline 2 differs from Baseline 1 (above) in the following ways:

- Greenhouse gas 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 rule, as compared to Baseline 2 (2024-dollars)

Benefit category (Baseline 2)	Low	High
Notice to recipients deadline	Qualitative*	Qualitative*
Appropriation reporting	\$1,207,033	\$2,253,654
Funding agreement reporting	\$4,166,085	\$8,332,171
Overburdened communities and Tribal agreements	Qualitative*	Qualitative*
Changes over time	Qualitative*	Qualitative*
Greenhouse gas emissions reduction calculation methodology and tools (net of costs)	60% reduction	83% reduction
<b>Total quantifiable present value:</b>	<b>\$5.4 million</b>	<b>\$10.6 million</b>

\* See discussion of qualitative benefits below

### Qualitative benefits

We identified the following qualitative benefits of the 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 greenhouse gas emissions impact reporting costs associated with project types exempt from quantified 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.
- A central location for capturing additional (optional) information about high labor standards in employment funded from CCA accounts.
- Avoided risk of disclosure of proprietary and cultural information that could affect Tribal interests, including property rights and treaty rights.
- Consistent greenhouse gas 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 rule, as compared to the baseline, that the benefits of the 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 rule contents, 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 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 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.
- Employment quality reporting alternatives:
  - Requiring jobs reporting for CIA-funded projects.
  - Requiring reporting on job quality and quantity for projects funded by all CCA 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 notify Ecology if there is not an applicable methodology for calculating emissions reductions for their project.
- Exempting projects for which there is no approved greenhouse gas emissions reduction calculation methodology from reporting whether the project resulted in greenhouse gas or other long-term emissions reductions.
- Requiring specific information to be reported about changes to projects for which recipients are conducting ongoing tracking or monitoring.

**LBA conclusion**

After considering alternatives, within the context of the goals and objectives of the authorizing statute, we determined that the 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 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 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 adopted Climate Commitment Act Funds Reporting rule (Chapter 173-446B WAC; the “rule”). This includes the:

- Final 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 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.

This analysis is based on the best data available at the time of publication, including updated appropriations data that also reflects the 2024 Supplemental Budget. This means both costs and benefits have increased as compared to the Preliminary Regulatory Analyses<sup>2</sup> for this rulemaking, as the number and sizes of appropriations have changed.

### 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 emissions trading market intended to help meet the state’s emission limits specified in RCW

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<sup>2</sup> Ecology publication no. 24-14-043



70A.45.020. Auction revenues are collected in accounts created by the CCA law<sup>3</sup>, 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 an annual report to the state Legislature by November 30<sup>th</sup> for fiscal year 2024, and by September 30 of each year thereafter (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 a 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 a 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.

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<sup>3</sup> Note that some funds in these CCA accounts are then allocated to transportation-related sub-accounts.

- **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 a 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 greenhouse gases 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 greenhouse gas emissions of industrial facilities.
  - Achieving energy efficiency or emissions reductions in the agricultural sector.

- Increasing energy efficiency in buildings or promoting 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 (CO<sub>2</sub>) 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 rule

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

- Adds definitions.
- Sets a deadline for Ecology to provide notice to recipients on how and when to report.
- Establishes cases in which quantified greenhouse gas emissions reduction reporting is required.
- Adds information that must be reported by funding recipients about:
  - Appropriations.
  - Funding agreements.
  - Direct and meaningful benefits.
  - Changes over time.
  - Employment quality (optional).
- Exempts certain Tribal information from reporting.
- Establishes processes for identifying and approving greenhouse gas emissions reduction calculation methods and tools.

## 1.3 Reasons for the 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 greenhouse gas emissions or other long-term impact to emissions, and if so:
  - The quantity of greenhouse gas emissions reduced.
  - Cost per carbon dioxide equivalent metric ton (MT CO<sub>2</sub>e) of greenhouse gas emissions reduced.
  - Comparison to other greenhouse gas emissions reduction projects.

The 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 1.3.1. The budget also requires:

- Incorporation of the Pro-Equity Anti-Racism (PEAR) plan and playbook, and Executive order 22-04.
- Agencies to report specific information to Ecology, 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. For fiscal year 2025, the Supplemental Budget<sup>4</sup> extended this deadline (for the fiscal year 2024 report) to November 30, 2024.

## 1.4 Document organization

The chapters of this document are organized as follows:

- **Chapter 2 - Baseline and the adopted rule:** Description and comparison of the baseline (what would occur in the absence of the rule) and the rule requirements.
- **Chapter 3 - Likely costs of the rule:** Analysis of the types and sizes of costs we expect impacted entities to incur as a result of the rule.
- **Chapter 4 - Likely benefits of the rule:** Analysis of the types and sizes of benefits we expect to result from the 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 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.

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<sup>4</sup> Engrossed Substitute Senate Bill (ESSB) 5950, Sec. 912(5).

# Chapter 2: Baseline and Adopted Rule

## 2.1 Introduction

We analyzed the impacts of the 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 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 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. The Supplemental Budget<sup>5</sup> extended this deadline (for the fiscal year 2024 report) to November 30, 2024.
    - A summary of the information reported by agencies.

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<sup>5</sup> Engrossed Substitute Senate Bill (ESSB) 5950, Sec. 912(5).

- 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 Adopted rule

Compared to the baseline, the rule:

- Adds definitions.
- Sets a deadline for Ecology to provide notice to recipients on how and when to report.
- Establishes cases in which quantified greenhouse gas emissions reduction reporting is required.
- Adds information that must be reported by funding recipients about:
  - Appropriations.
  - Funding agreements.
  - Direct and meaningful benefits.
  - Changes over time.
  - Employment quality (optional).
- Exempts certain Tribal information from reporting.
- Establishes processes for identifying and approving greenhouse gas emissions reduction calculation methods and tools.

### 2.3.1 Adding 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.

### **Adopted rule**

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

It also adds definitions for the following terms:

- “Appropriation” means funding provided by the Washington State Legislature to a state agency or other entity for a specific purpose, as set forth in an enacted operating, capital, or transportation appropriations act, 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 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. Defined terms used in other sections of the 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 Setting 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. The Supplemental Budget<sup>6</sup> extended this deadline (for the fiscal year 2024 report) to November 30, 2024.

### **Adopted rule**

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

## **2.3.3 Establishing cases in which recipients must report quantified greenhouse gas emissions reductions**

### **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.

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<sup>6</sup> Engrossed Substitute Senate Bill (ESSB) 5950, Sec. 912(5).

The law requires the annual report to identify whether the project that received the funding produced reduction in greenhouse gas 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 greenhouse gas emissions.
- The cost of the reduced greenhouse gas emissions, per metric ton of carbon dioxide equivalent (MT CO<sub>2</sub>e).
- A comparison to other greenhouse gas emissions reduction projects.

### **Adopted rule**

The rule requires recipients to report whether the project that received the funding produced reduction in greenhouse gas emissions or other long-term impact to emissions, in line with the statutory requirement. If Ecology has approved a methodology and calculator tool for an applicable expenditure category (as described in the rule), recipients must also report the quantity of greenhouse gas emissions reduction.

It also exempts some types of projects from reporting quantified emissions reductions. 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 rule to result in costs or benefits as compared to the baseline. The baseline sets requirements for information that must be reported if greenhouse gas or other long-term emissions impacts are expected, but does not further define where that expectation is reasonable or likely. The adopted 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. The Legislature directed some CCA funds to be spent on CCA program capacity-development activities that do not, in and of themselves, reduce emissions. Capacity development includes expenditures such

as hiring and training staff, research, planning, providing technical assistance, and other support activities for implementing the CCA law.

As such, this part of the rule mitigates the costs of the rule by reducing the scope of quantified emissions reduction reporting costs. We do not estimate this separately, and instead it is reflected in the costs we estimate for reporting impacts to greenhouse gas 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).<sup>7</sup>

### **2.3.4 Adding 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 greenhouse gas 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 greenhouse gas emissions.
- The cost of the reduced greenhouse gas emissions, per metric ton (MT) of carbon dioxide equivalent (CO<sub>2</sub>e), abbreviated “MT CO<sub>2</sub>e”.
- A comparison to other greenhouse gas emissions reduction projects.

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<sup>7</sup> We note that during the proposal phase of this rulemaking, Ecology’s proposed rule extended these exemptions to whether recipients must report whether a project produced a reduction in greenhouse gas emissions or other long-term impact to emissions (a “yes” or “no” question, in contrast with the separate requirement to quantify greenhouse gas emissions reductions). This change to the adopted rule adds a minor baseline cost of reporting whether a project reduced greenhouse gas or other long-term emissions. We do not expect answering this additional question under the baseline (given other reporting requirements) to significantly affect our quantitative estimates of overall costs of reporting for appropriations, funding agreements, changes over time, or developing emissions reduction calculation methodologies or tools. The initially proposed rule language is also discussed as alternative rule language in the Least Burdensome Alternative Analysis (Chapter 6).

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).

### **Adopted rule**

The rule requires reporting of the information required under the baseline above, and adds 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 greenhouse gas emissions or other long-term impact to emissions:<sup>8</sup>
  - The quantity of emissions in CO<sub>2</sub>e.
  - The cost per MT CO<sub>2</sub>e.
- If not reporting any reduction in emissions, indication of which exemption category in the rule describes the expenditure (see Section 2.3.4, above).

### **Expected impact**

We expect this element of the 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 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

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<sup>8</sup> 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.

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 rule would continue to result in costs.
2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the 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 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 Adding 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 greenhouse gas 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 greenhouse gas emissions.
- The cost of the reduced greenhouse gas emissions, per metric ton (MT) of carbon dioxide equivalent (CO<sub>2e</sub>), abbreviated “MT CO<sub>2e</sub>”.
- A comparison to other greenhouse gas emissions reduction projects.

RCW 70A.65.030 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).

### **Adopted rule**

The rule requires reporting of the information required under the baseline above, and adds 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 greenhouse gas emissions or other long-term impact to emissions:<sup>9</sup>
  - The quantity of emissions in CO<sub>2</sub>e.
  - The cost per MT CO<sub>2</sub>e.

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<sup>9</sup> 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 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 rule describes the expenditure (see Section 2.3.4, above).

### **Expected impact**

We expect this element of the 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 greenhouse gas emissions reductions. Since the baseline requires this information to be included in Ecology’s report to the Legislature, we compare the 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 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 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 rule would continue to result in costs.
  2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the 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 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 Adding information that must be reported about direct and meaningful benefits**

#### **Baseline**

RCW 70A.65.030 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).

### **Adopted rule**

The rule requires reporting of the information required under the baseline above, and adds 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 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 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 rule would continue to result in costs.

2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the 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 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 Adding 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.”

### **Adopted rule**

The rule requires recipients to report a summary of changes to information included in prior annual reports, only if they conduct ongoing tracking and monitoring for an expenditure included in prior annual reports. Summary information may also include:

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

### **Expected impact**

We expect this element of the 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 Adding information that may be reported about employment quality**

### **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.

#### **Adopted rule**

The rule allows recipients of funding (from any account) 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**

As this portion of the adopted rule is an optional behavior, we do not expect it to result in any net costs or benefits, beyond the benefit of providing recipients with a central location to report employment quality information. If a recipient expects the cost of this reporting to exceed any benefit they may experience from it, we do not expect them to choose to report it.

<sup>10</sup>

### **2.3.9 Exempting certain Tribal information from reporting**

#### **Baseline**

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

#### **Adopted rule**

The rule explicitly does 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 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 Establishing a process for identifying and approving greenhouse gas emissions reduction calculation methods and tools**

#### **Baseline**

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<sup>10</sup> During the proposal phase of this rulemaking, Ecology's proposed rule required reporting of employment quality for projects funded from the Climate Investment Account. We discuss this alternative rule requirement in the Least Burdensome Alternative Analysis (Chapter 6).



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

### **Adopted rule**

For each category of expenditure that is expected to produce reductions in greenhouse gas emissions or other long-term impacts to emissions, the rule sets 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 rule also requires 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, are required to notify Ecology.

### **Expected impact**

We expect this element of the 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 greenhouse gas 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 Rule

## 3.1 Introduction

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

## 3.2 Cost analysis

Compared to the baseline, the rule:

- Adds definitions.
- Sets a deadline for Ecology to provide notice to recipients on how and when to report.
- Establishes cases in which quantified greenhouse gas emissions reduction reporting is required.
- Adds information that must be reported by funding recipients about:
  - Appropriations.
  - Funding agreements.
  - Direct and meaningful benefits.
  - Changes over time.
  - Employment quality (optional).
- Exempts certain Tribal information from reporting.
- Establishes processes for identifying and approving greenhouse gas emissions reduction calculation methods and tools.

### 3.2.1 Adding 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 Setting a deadline for Ecology notice to recipients

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

### **3.2.3 Establishing cases in which recipients must report quantified greenhouse gas emissions reductions**

We do not expect this element of the rule to result in costs as compared to the baseline.<sup>11</sup> The baseline sets requirements for information that must be reported if greenhouse gas or other long-term emissions impacts are expected, but does not further define where that expectation is reasonable or likely. The 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 rule mitigates the costs of the rule by reducing the scope of quantified emissions reduction reporting costs. We do not estimate this separately, and instead it is reflected in the costs we estimate for reporting impacts to greenhouse gas 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).<sup>12</sup>

### **3.2.4 Adding information that must be reported about appropriations**

We expect this element of the 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

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<sup>11</sup> During development of the 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 requirements) would have further mitigated the costs of the rule. For discussion of this and other alternative rule content, see Chapter 6.

<sup>12</sup> We note that during the proposal phase of this rulemaking, Ecology's proposed rule extended these exemptions to whether recipients must report whether a project produced a reduction in greenhouse gas emissions or other long-term impact to emissions (a "yes" or "no" question, in contrast with the separate requirement to quantify greenhouse gas emissions reductions). This change to the adopted rule adds a minor baseline cost of reporting whether a project reduced greenhouse gas or other long-term emissions. We do not expect answering this additional question under the baseline (given other reporting requirements) to significantly affect our quantitative estimates of overall costs of reporting for appropriations, funding agreements, changes over time, or developing emissions reduction calculation methodologies or tools. The initially proposed rule language is also discussed as alternative rule language in the Least Burdensome Alternative Analysis (Chapter 6).

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 from \$37 to \$72, with a median of \$46 and average of \$49.<sup>13</sup> 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 Greenhouse gas 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 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 greenhouse gas emissions impacts, and report them to Ecology, the rule would result in only minor costs of specifying which exemption category applies if an expenditure is exempt from greenhouse gas reporting under the rule (see Section 2.3.4 for discussion). We assumed this work would take 5

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<sup>13</sup> 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>. Note that to avoid underestimating costs, we use the highest step of each salary range in our estimates. If these positions are filled by staff compensated at lower steps of the range, these costs will be lower.

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

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 greenhouse gas emissions reduction calculations, the rule would result in additional effort by recipients to:

- Learn to use approved emissions methodologies and tools.
- Perform calculations.<sup>14</sup>

As not all appropriations will result in likely impacts to greenhouse gas emissions (see Section 2.3.4 for discussion), we assumed 20% of appropriations would not incur additional greenhouse gas 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 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 rule would continue to result in costs.
2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the rule's requirements related to vulnerable population and overburdened community reporting would result in costs of reporting:

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<sup>14</sup> 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.

- 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 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 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 and Supplemental Operating, Capital, and Transportation budgets.<sup>15</sup> We identified 352 relevant appropriations. Multiplying by total appropriation counts, we estimated total costs resulting from this part of the rule of \$57,689 to \$100,222 in the first year, falling to between \$23,467 and \$30,800 over 20 years. Converting

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<sup>15</sup> WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023. Engrossed Second Substitute Bill 5949 Section 2015, [5949-S.SL.pdf \(wa.gov\)](#); Engrossed Second Substitute Bill 5950 Section 401, [5950-S.SL.pdf \(wa.gov\)](#)

this stream of costs over time to present value, this part of the rule would result in **between \$0.7 million and \$1.1 million in present value over 20 years.**<sup>16,17</sup>

### 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.
- \$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 greenhouse gas emissions impacts, we assumed 1/3 of relevant greenhouse gas 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 and Supplemental Operating, Capital, and Transportation budgets.<sup>18</sup> We identified 352 relevant appropriations. Multiplying by total appropriation counts, we estimated total costs resulting from this part of the rule of \$61,893 to \$109,120 in the first year, changing to between \$55,440 and \$113,813 over 20 years.

Converting this stream of costs over time to present value, this part of the rule would result in **between \$1.1 million and \$2.1 million in present value over 20 years.**<sup>19,20</sup>

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<sup>16</sup> 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>.

<sup>17</sup> Note that while we estimated costs based on reporting on appropriations for a full year each year, costs in the first year will likely be lower than in subsequent years (reducing present value costs). This is because in the first year, recipients are not likely to have spent their supplemental appropriations by the time they report. This would simplify reporting in the first year.

<sup>18</sup> WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023. Engrossed Second Substitute Bill 5949 Section 2015, [5949-S.SL.pdf \(wa.gov\)](#); Engrossed Second Substitute Bill 5950 Section 401, [5950-S.SL.pdf \(wa.gov\)](#)

<sup>19</sup> 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>.

<sup>20</sup> Note that while we estimated costs based on reporting on appropriations for a full year each year, costs in the first year will likely be lower than in subsequent years (reducing present value costs). This is because in the first year, recipients are not likely to have spent their supplemental appropriations by the time they report. This would simplify reporting in the first year.



### 3.2.5 Adding information that must be reported about funding agreements

We expect this element of the 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 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.<sup>21</sup> We made the simplifying assumption of a \$50 wage rate. At this wage, additional reporting of administrative information

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<sup>21</sup> 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](https://ofm.wa.gov/sites/default/files/public/shr/CompensationAndJobClasses/Salary%20Schedules/2023SalarySchedules/July_1_2023_Final/SOSA_Eff2023July1_Web.pdf)

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 Greenhouse gas and other emissions reduction reporting costs**

For emissions reduction information, we expect costs associated with calculating and reporting greenhouse gas emissions reductions.<sup>22</sup> Since the baseline requires this information to be included in Ecology's report to the Legislature, we compare the 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 greenhouse gas emissions impacts, and report them to Ecology, the rule would result in only minor costs of specifying which exemption category applies if an expenditure is exempt from greenhouse gas 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 greenhouse gas emissions reduction calculations, the rule would result in additional effort by recipients to:

- Learn to use approved emissions methodologies and tools.
- Perform calculations.<sup>23</sup>

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

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<sup>22</sup> For this estimation, we assumed all effort and associated costs are borne by recipients. During development of the 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 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 rule, these activities would be necessary, but in both cases recipient choices would affect the ultimate distribution of costs.

<sup>23</sup> 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.

- 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, we compare the 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 rule would continue to result in costs.
2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the 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 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 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 and Supplemental Operating, Capital, and Transportation budgets,<sup>24</sup> data on WA Department of Transportation (WSDOT) awards for 2023-2025,<sup>25</sup> and data on Ecology awards

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<sup>24</sup> WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023. Engrossed Second Substitute Bill 5949 Section 2015, [5949-S.SL.pdf \(wa.gov\)](#); Engrossed Second Substitute Bill 5950 Section 401, [5950-S.SL.pdf \(wa.gov\)](#)

<sup>25</sup> 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>.

for 2023-2025.<sup>26</sup> 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 estimate a statewide total of 1,401 relevant funding agreements, by dividing total appropriation amounts by \$1 million or the median appropriation per funding agreement for Ecology and WSDOT. 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 rule of \$229,631 to \$398,935 in the first year, falling to between \$93,409 and \$122,600 over 20 years. Converting this stream of costs over time to present value, this part of the rule would result in **between \$2.7 million and \$4.5 million in present value over 20 years.**<sup>27,28</sup>

### **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.

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<sup>26</sup> 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/>.

<sup>27</sup> 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>.

<sup>28</sup> Note that while we estimated costs based on reporting on appropriations for a full year each year, costs in the first year will likely be lower than in subsequent years (reducing present value costs). This is because in the first year, recipients are not likely to have spent their supplemental appropriations by the time they report. This would simplify reporting in the first year.

For timing of approved methodologies that would trigger the requirement for recipients to report greenhouse gas emissions impacts, we assumed 1/3 of relevant greenhouse gas 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 and Supplemental Operating, Capital, and Transportation budgets,<sup>29</sup> data on WA Department of Transportation (WSDOT) awards for 2023-2025,<sup>30</sup> and data on Ecology awards for 2023-2025.<sup>31</sup> 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 estimated a statewide total of 1,401 relevant funding agreements, by dividing total appropriation amounts by \$1 million or the median appropriation per funding agreement for Ecology and WSDOT. 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

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<sup>29</sup> WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023. Engrossed Second Substitute Bill 5949 Section 2015, [5949-S.SL.pdf \(wa.gov\)](#); Engrossed Second Substitute Bill 5950 Section 401, [5950-S.SL.pdf \(wa.gov\)](#)

<sup>30</sup> 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>.

<sup>31</sup> 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/>.

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 costs resulting from this part of the rule of \$246,367 to \$434,353 in the first year, changing to between \$220,679 and \$453,035 over 20 years. Converting this stream of costs over time to present value, this part of the rule would result in **between \$4.2 million and \$8.4 million in present value over 20 years.**<sup>32,33</sup>

### 3.2.6 Adding information that must be reported about direct and meaningful benefits

We expect the 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.<sup>34</sup> Since the baseline reporting requirements are based in the Operating Budget, which only applies to fiscal years 2023-2025, we compare the 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 rule would continue to result in costs.
2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the 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.

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<sup>32</sup> 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>.

<sup>33</sup> Note that while we estimated costs based on reporting on appropriations for a full year each year, costs in the first year will likely be lower than in subsequent years (reducing present value costs). This is because in the first year, recipients are not likely to have spent their supplemental appropriations by the time they report. This would simplify reporting in the first year.

<sup>34</sup> For this estimation, we assumed all effort and associated costs are borne by recipients. During development of the 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 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 rule, these activities would be necessary, but in both cases recipient choices would affect the ultimate distribution of costs.



- 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 rule is also likely to 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 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 1,753 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 rule of \$7,305 to \$14,609. Converting this stream of costs over time to present value, this part of the rule would result in **between \$0.1 million and \$0.3 million in present value over 20 years.**<sup>35</sup>

### **3.2.7 Adding information that must be reported about changes over time**

We expect this element of the 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 greenhouse gas emissions reductions and other benefits over time. We note the 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 (175 projects), total costs would be between \$2,191 and \$4,383 per year. Converting this stream of costs over time to present value, this part of the rule would result in **between \$0.04 million and \$0.08 million in present value over 20 years.**<sup>36,37</sup>

### **3.2.8 Adding information that may be reported about employment quality**

As this portion of the adopted rule is an optional behavior, we do not expect it to result in any net costs. If a recipient expects the cost of this reporting to exceed any benefit they may experience from it, we do not expect them to choose to report it.<sup>38</sup>

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<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> Note that during the proposal phase of this rulemaking, Ecology's proposed rule required specific information to be included in the summary of changes. The adopted rule changes this list of specific information to be optional, allowing recipients flexibility in reporting changes relevant to their project. While this potentially reduces costs from those we estimated for the proposed rule, we could not identify how these costs would differ from the initially assumed set of summary information.

<sup>38</sup> During the proposal phase of this rulemaking, Ecology's proposed rule required reporting of employment quality for projects funded from the Climate Investment Account. We discuss this alternative rule requirement in the Least Burdensome Alternative Analysis (Chapter 6).

### **3.2.9 Exempting certain Tribal information from reporting**

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

### **3.2.10 Establishing a process for identifying and approving greenhouse gas emissions reduction calculation methods and tools**

We expect this element of the rule to result in notification costs and costs of providing information and working collaboratively with Ecology to facilitate the development and approval of appropriate greenhouse gas methodologies and calculators. We expect the process in the 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 rule (which would entail estimating the costs of recipient effort under the baseline and 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 greenhouse gas emissions reduction calculation methodology constant.

This approach reveals that the 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 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 rule on an aggregate (total statewide) level, based on central assumptions about the additional effort compliance with the 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: 0.7 to 0.13 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 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 7 FTEs to do the additional work required under the 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 Rule

## 4.1 Introduction

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

## 4.2 Benefits analysis

Compared to the baseline, the rule:

- Adds definitions.
- Sets a deadline for Ecology to provide notice to recipients on how and when to report.
- Establishes cases in which quantified greenhouse gas emissions reduction reporting is required.
- Adds information that must be reported by funding recipients about:
  - Appropriations.
  - Funding agreements.
  - Direct and meaningful benefits.
  - Changes over time.
  - Employment quality (optional).
- Exempts certain Tribal information from reporting.
- Establishes processes for identifying and approving greenhouse gas emissions reduction calculation methods and tools.

### 4.2.1 Adding 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 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 Setting a deadline for Ecology notice to recipients

We expect this element of the rule to result in benefits of giving recipients at least one year of notice in preparation for their reporting. This part of the 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 Establishing cases in which recipients must report quantified greenhouse gas emissions reductions**

We do not expect this element of the rule to result in benefits as compared to the baseline. The baseline sets requirements for information that must be reported if greenhouse gas or other long-term emissions impacts are expected but does not further define where that expectation is reasonable or likely. The 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 rule mitigates the costs of the rule by reducing the scope of quantified emissions reduction reporting costs. We do not estimate this separately, and instead it is reflected in the costs we estimate for reporting impacts to greenhouse gas 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).<sup>39</sup>

### **4.2.4 Adding information that must be reported about appropriations**

We expect this element of the 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 Greenhouse gas 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 rule to two baseline options that depend on interpretation of the baseline requirements:

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<sup>39</sup> We note that during the proposal phase of this rulemaking, Ecology's proposed rule extended these exemptions to whether recipients must report whether a project produced a reduction in greenhouse gas emissions or other long-term impact to emissions (a "yes" or "no" question, in contrast with the separate requirement to quantify greenhouse gas emissions reductions). This change to the adopted rule adds a minor baseline cost of reporting whether a project reduced greenhouse gas or other long-term emissions. We do not expect answering this additional question under the baseline (given other reporting requirements) to significantly affect our quantitative estimates of overall costs of reporting for appropriations, funding agreements, changes over time, or developing emissions reduction calculation methodologies or tools. The initially proposed rule language is also discussed as alternative rule language in the Least Burdensome Alternative Analysis (Chapter 6).

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 greenhouse gas reporting**

Compared to a baseline in which recipients report greenhouse gas emissions impacts, the 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 greenhouse gas reporting**

Compared to a baseline in which information is reported by recipients to facilitate Ecology calculation of greenhouse gas emissions impacts, the 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 greenhouse gas 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 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 rule would continue to result in benefits.
2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the 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 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 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 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 and Supplemental Operating, Capital, and Transportation budgets.<sup>40</sup> We identified 352 relevant appropriations. Multiplying by total appropriation counts, we estimated total annual benefits resulting from this part of the rule of \$36,667 to \$73,333. Converting this stream of costs over time to present value, this part of the rule would result in **between \$0.7 million and \$1.3 million in present value over 20 years.**<sup>41</sup>

The 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

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<sup>40</sup> WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023. Engrossed Second Substitute Bill 5949 Section 2015, [5949-S.SL.pdf \(wa.gov\)](#); Engrossed Second Substitute Bill 5950 Section 401, [5950-S.SL.pdf \(wa.gov\)](#)

<sup>41</sup> 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>.

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 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 and Supplemental Operating, Capital, and Transportation budgets.<sup>42</sup> We identified 352 relevant appropriations. Multiplying by total appropriation counts, we estimated total benefits resulting from this part of the rule of \$54,853 to \$100,907 in the first year, rising to between \$73,627 and \$138,453 over 20 years. Converting this stream of costs over time to present value, this part of the rule would result in **between \$1.2 million and \$2.3 million in present value over 20 years.**<sup>43</sup>

The 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 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 Adding information that must be reported about funding agreements**

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

### **4.2.5.1 Administrative information reporting benefits**

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<sup>42</sup> WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023. Engrossed Second Substitute Bill 5949 Section 2015, [5949-S.SL.pdf \(wa.gov\)](#); Engrossed Second Substitute Bill 5950 Section 401, [5950-S.SL.pdf \(wa.gov\)](#)

<sup>43</sup> 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>.

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 Greenhouse gas 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 compare the 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 greenhouse gas reporting**

Compared to a baseline in which recipients report greenhouse gas emissions impacts, the 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 greenhouse gas reporting**

Compared to a baseline in which information is reported by recipients to facilitate Ecology calculation of greenhouse gas emissions impacts, the 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 greenhouse gas 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 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 rule would continue to result in costs.
2. Starting in 2026, there is no baseline requirement to report this information. The entirety of the 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 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 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 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 and Supplemental Operating, Capital, and Transportation budgets,<sup>44</sup> data on WA Department of Transportation (WSDOT) awards for

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<sup>44</sup> WA Office of Financial Management, 2023. 2023-25 Biennium Climate Commitment Act investments to benefit overburdened communities and Tribes. October 2023. Engrossed Second Substitute Bill 5949 Section 2015, [5949-S.SL.pdf \(wa.gov\)](#); Engrossed Second Substitute Bill 5950 Section 401, [5950-S.SL.pdf \(wa.gov\)](#)

2023-2025,<sup>45</sup> and data on Ecology awards for 2023-2025.<sup>46</sup> 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 1,401 relevant funding agreements, by dividing total appropriation amounts by \$1 million or the median appropriation per funding agreement for Ecology and WSDOT. 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 rule of \$145,952 to \$291,904 in the first year, rising to between \$151,790 and \$297,742 over 20 years. Converting this stream of costs over time to present value, this part of the rule would result in **between \$2.7 million and \$5.4 million in present value over 20 years.**<sup>47</sup>

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<sup>45</sup> 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>.

<sup>46</sup> 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/>.

<sup>47</sup> 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>.

The 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 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 rule of \$183,316 to \$366,631 in the first year, rising to between \$258,043 and \$516,086 over 20 years. Converting this stream of costs over time to present value, this part of the rule would result in **between \$4.2 million and \$8.3 million in present value over 20 years.**<sup>48</sup>

The 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 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 Adding information that must be reported about direct and meaningful benefits**

We expect this element of the 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

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<sup>48</sup> Ibid.

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 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 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**

We expect this portion of the 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 rule are already reflected in estimates for section 4.2.6, above, we do not duplicate those quantified benefits here.

The 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 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 rule are already reflected in estimates for section 4.2.6, above, we do not duplicate those quantified benefits here.

The 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 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 Adding information that must be reported about changes over time**

We expect this element of the 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 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 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 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.<sup>49</sup>

#### **4.2.8 Adding information that may be reported about employment quality**

As this portion of the adopted rule is an optional behavior, we do not expect it to result in any benefits beyond the benefit of providing recipients with a central location to report employment quality information. If a recipient expects the cost of this reporting to exceed any benefit they may experience from it, we do not expect them to choose to report it.<sup>50</sup>

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<sup>49</sup> Note that during the proposal phase of this rulemaking, Ecology's proposed rule required specific information to be included in the summary of changes. The adopted rule changes this list of specific information to be optional, allowing recipients flexibility in reporting changes relevant to their project. While this potentially reduces costs from those we estimated for the proposed rule, we do not expect it to affect the benefits. This is because under either version of the rule, recipients would report all relevant changes, but under the adopted rule they would not also answer questions not applicable to their projects.

<sup>50</sup> During the proposal phase of this rulemaking, Ecology's proposed rule required reporting of employment quality for projects funded from the Climate Investment Account. We discuss this alternative rule requirement in the Least Burdensome Alternative Analysis (Chapter 6).

A central location for reporting employment quality information may facilitate decisionmaker and public understanding of how CCA funds affect the types of jobs available on projects, including information about:

- Family sustaining wages.
- Providing benefits including health care and employer-contributed retirement plans.
- Career development opportunities.
- Local employment.
- Support of diverse businesses.

#### **4.2.9 Exempting certain Tribal information from reporting**

We expect this element of the 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 Establishing a process for identifying and approving greenhouse gas emissions reduction calculation methods and tools**

We expect this element of the 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 rule (which would entail estimating the costs of recipient effort under the baseline and 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 greenhouse gas emissions reduction calculation methodology constant.

To understand the relative size of costs under the baseline and 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 greenhouse gas emissions reduction calculation methodologies and tools: We assumed 25 to 30 agencies and universities could potentially need methodologies and tools.<sup>51</sup>
- Number of possible methodologies and tools: CARB currently lists a total of 52 greenhouse gas emissions methods and tools approved for calculating greenhouse gas emissions impacts of projects funded by revenues from their greenhouse gas emissions allowance market.<sup>52</sup>
  - 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.

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 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 rule, and simplifying, gives ratios between baseline costs and costs under the rule of:

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<sup>51</sup> 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. The Supplemental Budget included appropriations to two additional agencies, and we expect the range and variable assumptions in this section to include this type of variability.

<sup>52</sup> 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 greenhouse gas 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.

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

By moving from the baseline to the rule, the total cost of developing and adapting appropriate greenhouse gas 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 greenhouse gas emissions reduction project types, of over \$840 thousand.<sup>53</sup> 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 other recipients, and would be lower in this illustrative example if methodologies developed for WSDOT project types were not easily transferrable to greenhouse gas emissions reduction projects funded through other recipients.

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<sup>53</sup> 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.

# Chapter 5: Cost-Benefit Comparison and Conclusions

## 5.1 Summary of costs and benefits of the rule

### 5.1.1 Costs

We estimated the following costs would likely result from the rule, as compared to Baseline 1. Note that these costs have been updated for this analysis to include appropriations made in the 2024 Supplemental Budget. Baseline 1 differs from Baseline 2 (below) in the following ways:

- Including greenhouse gas 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 rule, as compared to Baseline 1 (2024-dollars)

<b>Cost category (Baseline 1)</b>	<b>Low</b>	<b>High</b>
Notice to recipients deadline	\$0	\$0
Appropriation reporting	\$673,994	\$1,142,855
Funding agreement reporting	\$2,682,839	\$4,549,146
Overburdened communities and Tribal agreements	\$133,155	\$266,310
Changes over time	\$39,946	\$79,893
Greenhouse gas emissions reduction calculation methodology and tools (netted with benefits)	See Table 7	See Table 7
<b>Total quantifiable present value:</b>	<b>\$3.5 million</b>	<b>\$6.0 million</b>

We estimated the following costs would likely result from the rule, as compared to Baseline 2. Note that these costs have been updated for this analysis to include appropriations made in the 2024 Supplemental Budget. Baseline 2 differs from Baseline 1 (above) in the following ways:

- Greenhouse gas 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 rule, as compared to Baseline 2 (2024-dollars)

<b>Cost category (Baseline 2)</b>	<b>Low</b>	<b>High</b>
Notice to recipients deadline	\$0	\$0
Appropriation reporting	\$1,065,197	\$2,098,191
Funding agreement reporting	\$4,240,025	\$8,351,868
Overburdened communities and Tribal agreements	\$133,155	\$266,310
Changes over time	\$39,946	\$79,893
Greenhouse gas emissions reduction calculation methodology and tools (netted with benefits)	See Table 8	See Table 8
<b>Total quantifiable present value:</b>	<b>\$5.5 million</b>	<b>\$10.8 million</b>

### 5.1.2 Benefits

We estimated the following benefits would likely result from the rule, as compared to Baseline 1. Note that these benefits have been updated for this analysis to include appropriations made in the 2024 Supplemental Budget. Baseline 1 differs from Baseline 2 (below) in the following ways:

- Including greenhouse gas 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 rule, as compared to Baseline 1 (2024-dollars)

<b>Benefit category (Baseline 1)</b>	<b>Low</b>	<b>High</b>
Notice to recipients deadline	Qualitative*	Qualitative*
Appropriation reporting	\$668,380	\$1,336,761
Funding agreement reporting	\$2,711,321	\$5,371,815
Overburdened communities and Tribal agreements	Qualitative*	Qualitative*
Changes over time	Qualitative*	Qualitative*
Greenhouse gas emissions reduction calculation methodology and tools (net of costs)	60% reduction	83% reduction
<b>Total quantifiable present value:</b>	<b>\$3.4 million</b>	<b>\$6.7 million</b>

\* See discussion of qualitative benefits below

We estimated the following benefits would likely result from the rule, as compared to Baseline 2. Note that these benefits have been updated for this analysis to include appropriations made in the 2024 Supplemental Budget. Baseline 2 differs from Baseline 1 (above) in the following ways:

- Greenhouse gas 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 rule, as compared to Baseline 2 (2024 dollars)

Benefit category (Baseline 2)	Low	High
Notice to recipients deadline	Qualitative*	Qualitative*
Appropriation reporting	\$1,207,033	\$2,253,654
Funding agreement reporting	\$4,166,085	\$8,332,171
Overburdened communities and Tribal agreements	Qualitative*	Qualitative*
Changes over time	Qualitative*	Qualitative*
Greenhouse gas emissions reduction calculation methodology and tools (net of costs)	60% reduction	83% reduction
<b>Total quantifiable present value:</b>	<b>\$5.4 million</b>	<b>\$10.6 million</b>

\* See discussion of qualitative benefits below

### Qualitative benefits

We identified the following qualitative benefits of the 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 greenhouse gas emissions impact reporting costs associated with project types exempt from quantified 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.
- A central location for capturing additional (optional) information about high labor standards in employment funded from CCA accounts.
- Avoided risk of disclosure of proprietary and cultural information that could affect Tribal interests, including property rights and treaty rights.
- Consistent greenhouse gas 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 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.<sup>54</sup>
- 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 greenhouse gas emissions reduction calculation methodologies over time.
- Recipient costs of developing greenhouse gas 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	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: <ul style="list-style-type: none"> <li>• Appropriation reporting</li> <li>• Funding agreement reporting</li> <li>• Overburdened communities and Tribal agreements</li> <li>• Changes over time (when recipients choose to track)</li> </ul>
Number of financial agreements	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: <ul style="list-style-type: none"> <li>• Appropriation reporting</li> <li>• Funding agreement reporting</li> <li>• Overburdened communities and Tribal agreements</li> <li>• Changes over time (when recipients choose to track)</li> </ul>

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<sup>54</sup> Note that during the public comment period, appropriations of CCA funds were made to two additional agencies and some agencies were appropriated additional funds (see: Engrossed Second Substitute Bill 5949 Section 2015, [5949-S.SL.pdf \(wa.gov\)](#); Engrossed Second Substitute Bill 5950 Section 401, [5950-S.SL.pdf \(wa.gov\)](#)). We expect variability in the number of agencies, appropriation amounts, and the types of projects funded to continue in all future appropriations acts. Adjustments to the number of agencies, funding amounts, and funding purposes would not substantially change the results or determinations of this analysis, as costs and benefits estimated for these requirements are generally scalable with regard to these variables (see Table 9).



Uncertainty	Effects of alternative assumptions
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"> <li>• Additional complexity of structures underlying reporting, necessitating more overall work effort.</li> <li>• Efficiencies in structures underlying reporting and delegation of tasks across expertise, necessitating less overall work effort.</li> </ul> <p>This variation may also change over time as recipients adapt internal processes to reporting requirements, under both the baseline and rule.</p>
Auction revenue and 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"> <li>• Because appropriation decisions are made by the Legislature, we cannot predict how appropriations will be impacted when there are changes in auction revenues.</li> <li>• With higher or lower types and sizes of appropriations, recipients may choose to change funding per expenditure type, or they may choose to change the number of expenditures. These recipient decisions would determine the resulting impacts on numbers, sizes, and types of expenditures or funding agreements.</li> </ul>
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"> <li>• Appropriation reporting</li> <li>• Funding agreement reporting</li> <li>• Overburdened communities and Tribal agreements</li> <li>• Changes over time (when recipients choose to track)</li> </ul>
Delegation to sub-recipients	<p>Distributive impact. Since the 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>
Greenhouse gas emissions methodology frequency	<p>Present value impact. A more-rapid development and approval of greenhouse gas emissions reduction calculation methodologies and tools would shift costs and benefits associated with greenhouse gas 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"> <li>• Appropriation reporting</li> <li>• Funding agreement reporting</li> </ul>

Uncertainty	Effects of alternative assumptions
<p>Recipient costs of developing greenhouse gas methodologies</p>	<p>Impact indeterminate. We did not fully monetize aggregate costs or benefits associated with development of greenhouse gas emissions reduction calculation methodologies and tools, and instead focused on the relative size of these costs under the rule as compared to the baseline. This was due to uncertainty and potential high variability in:</p> <ul style="list-style-type: none"> <li>• Necessary recipient effort.</li> <li>• Degree of collaboration between recipients and Ecology.</li> <li>• Level of overlapping project types and multiple-agency collaboration needed.</li> <li>• Complexity and technical needs of development.</li> </ul> <p>As we focused on the percentage difference between these costs under the baseline and 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 rule. If these levels of effort differ, the percentage difference between aggregate costs under the baseline and 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 rule, as compared to the baseline, that the benefits of the 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 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 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.<sup>55</sup>

### **6.3 Alternatives considered and why they were excluded**

We considered the following alternative rule requirements and did not include them in the 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.
- Employment quality reporting alternatives:
  - Requiring job quantity and quality reporting for CIA-funded projects.
  - Requiring reporting on job quality and quantity for projects funded by all CCA accounts.
- Requiring reporting on the climate resiliency benefits of projects.
- 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 notify Ecology if there is not an applicable methodology for calculating emissions reductions for their project.

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<sup>55</sup> <https://fiscal.wa.gov/statebudgets/2023proposals/Documents/co/co5187-S.EAMC-COF-H-2006.4.pdf>.

- Exempting projects for which there is no approved greenhouse gas emissions reduction calculation methodology from reporting whether the project resulted in greenhouse gas or other long-term emissions reductions.
- Requiring specific information to be reported about changes to projects for which recipients are conducting ongoing tracking or monitoring.

### **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 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 Employment quality alternatives**

During rule development and following the public comment period, we considered various alternatives related to reporting information on employment quality. These included:

- Requiring job quantity and quality reporting for CIA-funded projects.

- Requiring reporting on job quality and quantity for projects funded by all CCA accounts.

### **Reporting for CIA-funded projects**

During the proposal phase of this rulemaking, our Preliminary Regulatory Analyses addressed the alternative of not requiring CIA-funded projects to report on employment information. The rationale for this was that it would not meet statutory goals of preventing job loss and providing protective measures for transitioning to a clean energy economy. As a result, the proposed rule included this requirement. Based on feedback and comments received during the public comment period, however, we ultimately determined that while providing a central location for reporting information on employment quality could benefit decisionmaker and public understanding of the jobs funded by the CCA, the requirement was not necessary to meet the goals and objectives of the statute for this rulemaking.

### **Reporting for all CCA-funded projects**

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.

### **6.3.6 Requiring reporting on climate resiliency benefits**

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.

### **6.3.7 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.

### **6.3.8 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.

### **6.3.9 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.

### **6.3.10 Exempting certain projects from reporting whether they reduce emissions**

During the proposal phase of this rulemaking, we proposed rule language that exempted recipients from reporting whether projects reduced greenhouse gas or other emissions if:

- There was no approved calculation methodology or tool that was applicable, or
- A project was not generally expected to reduce emissions (e.g., projects funding direct agency employment, or funding other capacity-development activities as directed by the Legislature). Capacity development includes expenditures such as hiring and training staff, research, planning, providing technical assistance, and other support activities for implementing the CCA law.

After the public comment period, we identified that this exemption was in conflict with statutory objectives requiring all recipients to report whether projects reduced greenhouse gas emissions. As a result, the adopted rule language retains these reasons for exemption from reporting the *quantity of emissions reductions* (a number of MT CO<sub>2</sub>e), but no longer extends it to reporting *whether a project resulted in emissions reductions* (a “yes” or “no” question).

### **6.3.11 Requiring specific information to be reported about changes based on tracking or monitoring**

During the proposal phase of this rulemaking, we proposed rule language that required recipients that are performing ongoing tracking or monitoring of projects to provide specific information about how their results changed over time. During the public comment period, we identified that those prescriptive requirements potentially imposed additional burden on recipients. As the general requirement to summarize changes to previously reported information likely already covers relevant information needed to understand changes and why they occurred, the adopted rule language potentially reduces compliance burden (compared to the proposed rule language) by making the previously specified reporting elements optional, and allowing recipients the flexibility to report changes to information and relevant context that is applicable to a project.

## **6.4 Conclusion**

After considering alternatives, within the context of the goals and objectives of the authorizing statute, we determined that the adopted 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 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 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."

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# 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.