

CERTIFICATION OF ENROLLMENT

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2251

Chapter 219, Laws of 2026

69th Legislature
2026 Regular Session

CLIMATE COMMITMENT ACT—ACCOUNTS

EFFECTIVE DATE: July 1, 2027

Passed by the House March 11, 2026
Yeas 54 Nays 40

LAURIE JINKINS

**Speaker of the House of
Representatives**

Passed by the Senate March 6, 2026
Yeas 34 Nays 14

DENNY HECK

President of the Senate

Approved March 25, 2026 11:25 AM

BOB FERGUSON

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2251** as passed by the House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

March 25, 2026

**Secretary of State
State of Washington**

ENGROSSED SECOND SUBSTITUTE HOUSE BILL 2251

AS AMENDED BY THE SENATE

Passed Legislature - 2026 Regular Session

State of Washington

69th Legislature

2026 Regular Session

By House Transportation (originally sponsored by Representatives Fitzgibbon, Gregerson, Parshley, and Thomas)

1 AN ACT Relating to climate commitment act accounts; amending RCW
2 70A.65.100, 70A.65.230, 70A.65.280, 70A.65.300, 70A.65.040,
3 70A.65.060, 70A.65.200, 70A.65.305, 76.04.196, 76.13.120, 70A.65.240,
4 70A.65.302, 70A.535.180, 82.08.994, and 82.17.030; reenacting and
5 amending RCW 43.21B.300 and 70A.65.030; adding new sections to
6 chapter 70A.65 RCW; creating a new section; repealing RCW 70A.65.250,
7 70A.65.260, and 70A.65.270; and providing an effective date.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 NEW SECTION. **Sec. 1.** A new section is added to chapter 70A.65
10 RCW to read as follows:

11 (1) The climate commitment act operating account is created in
12 the state treasury. Receipts from the auction of allowances
13 authorized in this chapter must be deposited into the account as
14 provided in RCW 70A.65.100. Moneys in the account may be spent only
15 after appropriation. The legislature intends expenditures from the
16 account to supplement, not supplant, existing expenditures for
17 similar purposes. Expenditures from the account may be used only for
18 the following purposes:

19 (a) The department's costs to administer the program under this
20 chapter, in an amount not to exceed \$25,000,000 per fiscal year

1 adjusted by the implicit price deflator averaged for each fiscal
2 year, as described in RCW 70A.65.100(7) (a);

3 (b) Programs, activities, and projects in the operating budget
4 that reduce greenhouse gas emissions, increase resilience to the
5 impacts of climate change, result in long-term environmental
6 benefits, or otherwise achieve the purposes of this chapter;

7 (c) Tribal capacity grants for tribal consultation under RCW
8 70A.65.305 or tribal projects and activities related to climate
9 resilience and adaptation, clean energy, state or federal grant
10 funding applications, or other related work;

11 (d) The working families' tax credit in RCW 82.08.0206;

12 (e) The same authorized uses as the growth management planning
13 and environmental review fund established in RCW 36.70A.490;

14 (f) Reduction and mitigation of impacts from greenhouse gases and
15 copollutants in overburdened communities, including strengthening the
16 air quality monitoring network required in RCW 70A.65.020;

17 (g) Projects or activities to promote electrification or reduce
18 the greenhouse gas emissions associated with electricity production,
19 distribution, or consumption, including: (i) Utility-scale renewable
20 resources and nonemitting electric generation, as those terms are
21 defined in RCW 19.405.020; (ii) distributed generation; (iii)
22 utility-scale and behind-the-meter energy storage; (iv) demand-side
23 technologies and strategies; (v) grid modernization projects; and
24 (vi) research, development, demonstration, or deployment of new and
25 emerging clean firm energy generation or storage technologies;

26 (h) Increased energy efficiency or reduced greenhouse gas
27 emissions for industrial facilities including, but not limited to,
28 combined heat and power, district energy, on-site renewables such as
29 solar and wind power, and less emissions-intensive fuel sources;

30 (i) Increased energy efficiency or reduced greenhouse gas
31 emissions for the agricultural sector including, but not limited to,
32 fertilizer management, soil management, bioenergy, biofuels, grants
33 and other financial incentives for agricultural equipment or food
34 processing, renewable energy projects, farmworker housing
35 weatherization programs, dairy digester research and development,
36 alternative manure management, and the sustainable farms and fields
37 grant program under RCW 89.08.615;

38 (j) Increased energy efficiency or reduced greenhouse gas
39 emissions in new and existing residential, commercial, and industrial
40 buildings, including low carbon architecture, alternative building

1 materials that result in a lower carbon footprint over the life cycle
2 of the building and component building materials, electric
3 appliances, and equipment for space and water heating;

4 (k) The expansion of clean manufacturing capacity in communities
5 across Washington, including related community investments such as
6 transportation, municipal service delivery, and technology
7 investments, with an emphasis on communities in greatest need of job
8 creation and economic development and potential for commute
9 reduction;

10 (l) Improved energy affordability and reduced energy burden for
11 people with lower incomes, including bill assistance, energy
12 efficiency and weatherization programs, and community renewable
13 energy projects that allow qualifying participants to own or receive
14 the benefits of those projects at reduced or no cost;

15 (m) Assistance for affected fossil fuel workers during the
16 transition to a clean energy economy, including (i) full wage
17 replacement, health benefits, and pension contributions for every
18 worker within five years of retirement; (ii) full wage replacement,
19 health benefits, and pension contributions for every worker with at
20 least one year of service for each year of service up to five years
21 of service; (iii) wage insurance for up to five years for workers
22 reemployed who have more than five years of service; (iv) up to two
23 years of retraining costs, including tuition and related costs, based
24 on in-state community and technical college costs; (v) peer
25 counseling services during transition; (vi) employment placement
26 services, prioritizing employment in the clean energy sector; (vii)
27 relocation expenses; and (viii) workforce development, including
28 forest health workforce initiatives under RCW 76.04.521 and education
29 or jobs related to the clean energy economy;

30 (n) Reduced emissions from landfills and waste-to-energy
31 facilities through diversion of organic materials, methane capture or
32 conversion strategies, installation of gas collection devices and gas
33 control systems, monitoring and reporting of methane emissions, or
34 other means, prioritizing funding needed for any activities by local
35 governments to comply with chapter 70A.540 RCW;

36 (o) Carbon dioxide removal and carbon dioxide capture and
37 mineralization or sequestration;

38 (p) Activities to support efforts to mitigate and adapt to the
39 effects of climate change affecting Indian tribes;

1 (q) Environmental justice activities, including implementation of
2 chapter 70A.02 RCW;

3 (r) Electric vehicles and related costs, such as equipment and
4 infrastructure, and alternative fuel;

5 (s) Clean water investments that improve resilience from climate
6 impacts. Funding under this subsection (1)(s) must be used to:

7 (i) Restore and protect estuaries, fisheries, and marine
8 shoreline habitats and prepare for sea level rise;

9 (ii) Increase carbon storage in the ocean or aquatic and coastal
10 ecosystems;

11 (iii) Increase the ability to remediate and adapt to the impacts
12 of ocean acidification;

13 (iv) Reduce flood risk and restore natural floodplain ecological
14 function;

15 (v) Increase the sustainable supply of water and improve aquatic
16 habitat, including groundwater mapping and modeling;

17 (vi) Improve infrastructure treating stormwater from previously
18 developed areas within an urban growth boundary designated under
19 chapter 36.70A RCW, with a preference given to projects that use
20 green stormwater infrastructure;

21 (vii) Either retain or increase, or both, greenhouse gas
22 sequestration and storage benefits from forests, forested wetlands,
23 agricultural soils, tidally influenced agricultural or grazing lands,
24 or freshwater, saltwater, or brackish aquatic lands; or

25 (viii) Either preserve or establish, or both, greenhouse gas
26 sequestration by protecting or planting trees in marine shorelines
27 and freshwater riparian areas sufficient to promote climate
28 resilience, protect cold water fisheries, and achieve water quality
29 standards;

30 (t) Healthy forest investments to improve resilience from climate
31 impacts, including but not limited to: (i) Increased forest and
32 community resilience to wildfire; and (ii) improved forest health,
33 including reduced vulnerability to changes in hydrology, insect
34 infestation, and other impacts of climate change; and

35 (u) Payments to agricultural fuel purchasers.

36 (2) The legislature intends that at least 25 percent of the total
37 appropriations each biennium from this account and the climate
38 commitment act capital account created in section 2 of this act are
39 made for the purposes of the clean water and healthy forest

1 investments in subsection (1)(s) and (t) of this section or section
2 2(1) (m) and (n) of this act.

3 (3) Moneys in the account may not be used for projects or
4 activities that would violate tribal treaty rights or result in
5 significant long-term damage to critical habitat or ecological
6 functions.

7 (4) Projects or activities funded from the account must meet high
8 labor standards, including: (a) Employer-paid sick leave programs and
9 other health care benefits; (b) employer-contributed retirement
10 plans; (c) pay practices in relation to living wage indicators, such
11 as the federal poverty level; (d) efforts to evaluate pay equity
12 based on gender identity, race, and other protected status under
13 Washington law; (e) career development opportunities, such as
14 apprenticeship programs, internships, job-shadowing, and on-the-job
15 training; and (f) employment assistance and employment barriers for
16 justice-affected individuals.

17 (5) Projects or activities funded from the account must maximize
18 access to economic benefits from such projects for local workers and
19 diverse businesses.

20 NEW SECTION. **Sec. 2.** A new section is added to chapter 70A.65
21 RCW to read as follows:

22 (1) The climate commitment act capital account is created in the
23 state treasury. Receipts from the auction of allowances authorized in
24 this chapter must be deposited into the account as provided in RCW
25 70A.65.100. Moneys in the account may be spent only after
26 appropriation. The legislature intends expenditures from the account
27 to supplement, not supplant, existing expenditures for similar
28 purposes. Expenditures from the account may be used only for the
29 following purposes:

30 (a) Programs, activities, and projects in the capital budget that
31 reduce greenhouse gas emissions, increase resilience to the impacts
32 of climate change, result in long-term environmental benefits, or
33 otherwise achieve the purposes of this chapter;

34 (b) Reduction and mitigation of impacts from greenhouse gases and
35 copollutants in overburdened communities, including strengthening the
36 air quality monitoring network required in RCW 70A.65.020;

37 (c) Projects or activities to promote electrification or reduce
38 the greenhouse gas emissions associated with electricity production,
39 distribution, or consumption, including: (i) Utility-scale renewable

1 resources and nonemitting electric generation, as those terms are
2 defined in RCW 19.405.020; (ii) distributed generation; (iii)
3 utility-scale and behind-the-meter energy storage; (iv) demand-side
4 technologies and strategies; (v) grid modernization projects; and
5 (vi) research, development, demonstration, or deployment of new and
6 emerging clean firm energy generation or storage technologies;

7 (d) Increased energy efficiency or reduced greenhouse gas
8 emissions for industrial facilities including, but not limited to,
9 combined heat and power, district energy, on-site renewables such as
10 solar and wind power, and less emissions-intensive fuel sources;

11 (e) Increased energy efficiency or reduced greenhouse gas
12 emissions for the agricultural sector including, but not limited to,
13 fertilizer management, soil management, bioenergy, biofuels, grants
14 and other financial incentives for agricultural equipment or food
15 processing, renewable energy projects, farmworker housing
16 weatherization programs, dairy digester research and development, and
17 alternative manure management;

18 (f) Increased energy efficiency or reduced greenhouse gas
19 emissions in new and existing residential, commercial, and industrial
20 buildings, including low carbon architecture, alternative building
21 materials that result in a lower carbon footprint over the life cycle
22 of the building and component building materials, electric
23 appliances, and equipment for space and water heating;

24 (g) The expansion of clean manufacturing capacity in communities
25 across Washington, including related community investments such as
26 transportation, municipal service delivery, and technology
27 investments, with an emphasis on communities in greatest need of job
28 creation and economic development and potential for commute
29 reduction;

30 (h) Improved energy affordability and reduced energy burden for
31 people with lower incomes, including energy efficiency and
32 weatherization programs, and community renewable energy projects that
33 allow qualifying participants to own or receive the benefits of those
34 projects at reduced or no cost;

35 (i) Reduced emissions from landfills and waste-to-energy
36 facilities through diversion of organic materials, methane capture or
37 conversion strategies, installation of gas collection devices and gas
38 control systems, monitoring and reporting of methane emissions, or
39 other means, prioritizing funding needed for any activities by local
40 governments to comply with chapter 70A.540 RCW;

1 (j) Carbon dioxide removal and carbon dioxide capture and
2 mineralization or sequestration;

3 (k) Activities to support efforts to mitigate and adapt to the
4 effects of climate change affecting Indian tribes, including capital
5 investments in support of the relocation of Indian tribes located in
6 areas at heightened risk due to anticipated sea level rise, flooding,
7 or other disturbances caused by climate change. The legislature
8 intends to dedicate at least \$50,000,000 per biennium from the
9 account for purposes of this subsection when the department's most
10 recent baseline climate commitment act forecast projects
11 \$1,000,000,000 or more for the biennium in total revenue to the
12 state. When the department's most recent baseline climate commitment
13 act forecast projects less than \$1,000,000,000 for the biennium, the
14 legislature intends to dedicate at least five percent of total
15 projected revenue to the state for the biennium for the purposes of
16 this subsection;

17 (l) Electric vehicle infrastructure, including infrastructure in
18 buildings;

19 (m) Clean water investments that improve resilience from climate
20 impacts. Funding under this subsection (1)(m) must be used to:

21 (i) Restore and protect estuaries, fisheries, and marine
22 shoreline habitats and prepare for sea level rise;

23 (ii) Make fish passage correction investments, such as those
24 identified in the cost-share barrier removal program for small
25 forestland owners created in RCW 76.13.150 and those that are
26 considered by the fish passage barrier removal board created in RCW
27 77.95.160;

28 (iii) Increase carbon storage in the ocean or aquatic and coastal
29 ecosystems;

30 (iv) Increase the ability to mitigate, remediate, and adapt to
31 the impacts of ocean acidification;

32 (v) Reduce flood risk and restore natural floodplain ecological
33 function;

34 (vi) Increase the sustainable supply of water and improve aquatic
35 habitat, including groundwater mapping and modeling;

36 (vii) Improve infrastructure treating stormwater from previously
37 developed areas within an urban growth boundary designated under
38 chapter 36.70A RCW, with a preference given to projects that use
39 green stormwater infrastructure;

1 (viii) Either preserve or increase, or both, greenhouse gas
2 sequestration and storage benefits in forests, forested wetlands,
3 agricultural soils, tidally influenced agricultural or grazing lands,
4 or freshwater, saltwater, or brackish aquatic lands; or

5 (ix) Either preserve or establish, or both, greenhouse gas
6 sequestration by protecting or planting trees in marine shorelines
7 and freshwater riparian areas sufficient to promote climate
8 resilience, protect cold water fisheries, and achieve water quality
9 standards; and

10 (n) Healthy forest investments to improve resilience from climate
11 impacts. Funding under this subsection (1)(n) must be used for
12 projects that will:

13 (i) Increase forest and community resilience to wildfire in the
14 face of increased seasonal temperatures and drought;

15 (ii) Improve forest health and reduce vulnerability to changes in
16 hydrology, insect infestation, and other impacts of climate change;
17 or

18 (iii) Prevent emissions by retaining natural and working lands
19 against the threat of conversion to development or loss of critical
20 habitat, through actions that include, but are not limited to, the
21 creation of new conservation lands, community forests, or increased
22 support to small forestland owners through assistance programs
23 including, but not limited to, the forest riparian easement program
24 and the family forest fish passage program. It is the intent of the
25 legislature that not less than \$10,000,000 be expended each biennium
26 for the forestry riparian easement program created in chapter 76.13
27 RCW or for riparian easement projects funded under the agricultural
28 conservation easements program established under RCW 89.08.530, or
29 similar riparian enhancement programs when the department's most
30 recent baseline climate commitment act forecast projects
31 \$1,000,000,000 or more for that biennium in total revenue to the
32 state. When the department's most recent baseline climate commitment
33 act forecast projects less than \$1,000,000,000 for that biennium, the
34 legislature intends to dedicate at least one percent of total
35 projected revenue to the state for the biennium for the purposes of
36 the forestry riparian easement program and similar programs.

37 (2) The legislature intends that at least 25 percent of the total
38 appropriations each biennium from this account and the climate
39 commitment act operating account created in section 1 of this act are
40 made for the purposes of the clean water and healthy forest

1 investments in subsection (1)(m) and (n) of this section and section
2 1(1)(s) and (t) of this act.

3 (3) Moneys in the account may not be used for projects or
4 activities that would violate tribal treaty rights or result in
5 significant long-term damage to critical habitat or ecological
6 functions.

7 (4) Moneys in the account must be spent in a manner that is
8 consistent with scientific assessment of current and future climate
9 risks such as those encompassed in the state's current climate
10 resilience strategy developed under chapter 70A.05 RCW.

11 **Sec. 3.** RCW 70A.65.100 and 2024 c 352 s 5 are each amended to
12 read as follows:

13 (1) Except as provided in RCW 70A.65.110, 70A.65.120, and
14 70A.65.130, the department shall distribute allowances through
15 auctions as provided in this section and in rules adopted by the
16 department to implement these sections. An allowance is not a
17 property right.

18 (2)(a) The department shall hold a maximum of four auctions
19 annually, plus any necessary reserve auctions. An auction may include
20 allowances from the annual allowance budget of the current year and
21 allowances from the annual allowance budgets from prior years that
22 remain to be distributed. The department must transmit to the
23 environmental justice council an auction notice at least 60 days
24 prior to each auction, as well as a summary results report and a
25 postauction public proceeds report within 60 days after each auction.
26 The department must communicate the results of the previous calendar
27 year's auctions to the environmental justice council on an annual
28 basis beginning in 2024.

29 (b) The department must make future vintage allowances available
30 through parallel auctions at least twice annually in addition to the
31 auctions through which current vintage allowances are exclusively
32 offered under (a) of this subsection.

33 (3) The department shall engage a qualified, independent
34 contractor to run the auctions. The department shall also engage a
35 qualified financial services administrator to hold the bid
36 guarantees, evaluate bid guarantees, and inform the department of the
37 value of bid guarantees once the bids are accepted.

38 (4) Auctions are open to covered entities, opt-in entities, and
39 general market participants that are registered entities in good

1 standing. The department shall adopt by rule the requirements for a
2 registered entity to register and participate in a given auction.

3 (a) Registered entities intending to participate in an auction
4 must submit an application to participate at least 30 days prior to
5 the auction. The application must include the documentation required
6 for review and approval by the department. A registered entity is
7 eligible to participate only after receiving a notice of approval by
8 the department.

9 (b) Each registered entity that elects to participate in the
10 auction must have a different representative. Only a representative
11 with an approved auction account is authorized to access the auction
12 platform to submit an application or confirm the intent to bid for
13 the registered entity, submit bids on behalf of the registered entity
14 during the bidding window, or to download reports specific to the
15 auction.

16 (5) The department may require a bid guarantee, payable to the
17 financial services administrator, in an amount greater than or equal
18 to the sum of the maximum value of the bids to be submitted by the
19 registered entity.

20 (6) To protect the integrity of the auctions, a registered entity
21 or group of registered entities with a direct corporate association
22 are subject to auction purchase and holding limits. The department
23 may impose additional limits if it deems necessary to protect the
24 integrity and functioning of the auctions:

25 (a) A covered entity or an opt-in entity may not buy more than 25
26 percent of the allowances offered during a single auction;

27 (b) A general market participant may not buy more than four
28 percent of the allowances offered during a single auction;

29 (c) Until Washington links with a jurisdiction that does not have
30 this requirement, a general market participant may not in aggregate
31 own more than 10 percent of total allowances to be issued in a
32 calendar year;

33 (d) No registered entity may buy more than the entity's bid
34 guarantee; and

35 (e) No registered entity may buy allowances that would exceed the
36 entity's holding limit at the time of the auction.

37 ~~(7) ((a) For fiscal year 2023, upon completion and verification~~
38 ~~of the auction results, the financial services administrator shall~~
39 ~~notify winning bidders and transfer the auction proceeds to the state~~
40 ~~treasurer for deposit as follows: (i) \$127,341,000 must first be~~

1 deposited into the carbon emissions reduction account created in RCW
2 70A.65.240; and (ii) the remaining auction proceeds to the climate
3 investment account created in RCW 70A.65.250 and the air quality and
4 health disparities improvement account created in RCW 70A.65.280.

5 (b) For fiscal year 2024, upon completion and verification of the
6 auction results, the financial services administrator shall notify
7 winning bidders and transfer the auction proceeds to the state
8 treasurer for deposit as follows: (i) \$356,697,000 must first be
9 deposited into the carbon emissions reduction account created in RCW
10 70A.65.240, except during fiscal year 2024, the deposit as provided
11 in this subsection (7)(b)(i) may be prorated equally across each of
12 the auctions occurring in fiscal year 2024; and (ii) the remaining
13 auction proceeds to the climate investment account created in RCW
14 70A.65.250 and the air quality and health disparities improvement
15 account created in RCW 70A.65.280, which may be prorated equally
16 across each of the auctions occurring in fiscal year 2024.

17 (c) For fiscal year 2025, upon completion and verification of the
18 auction results, the financial services administrator shall notify
19 winning bidders and transfer the auction proceeds to the state
20 treasurer for deposit as follows: (i) \$366,558,000 must first be
21 deposited into the carbon emissions reduction account created in RCW
22 70A.65.240, except that during fiscal year 2025, the deposit as
23 provided in this subsection (7)(c)(i) may be prorated equally across
24 each of the auctions occurring in fiscal year 2025; and (ii) the
25 remaining auction proceeds to the climate investment account created
26 in RCW 70A.65.250 and the air quality and health disparities
27 improvement account created in RCW 70A.65.280, which may be prorated
28 equally across each of the auctions occurring in fiscal year 2025.

29 (d) For fiscal years 2026 through 2037, upon)) Upon completion
30 and verification of the results of each auction ((results)), the
31 financial services administrator shall notify winning bidders and
32 transfer the auction proceeds to the state treasurer for deposit as
33 follows:

34 ((i) \$359,117,000 per year must first be deposited into the
35 carbon emissions reduction account created in RCW 70A.65.240; and
36 (ii) the remaining auction proceeds to the climate investment account
37 created in RCW 70A.65.250 and the air quality and health disparities
38 improvement account created in RCW 70A.65.280.

39 (e) The deposits into the carbon emissions reduction account
40 pursuant to (a) through (d) of this subsection must not exceed

1 ~~\$5,200,000,000 over the first 16 fiscal years and any remaining~~
2 ~~auction proceeds must be deposited into the climate investment~~
3 ~~account created in RCW 70A.65.250 and the air quality and health~~
4 ~~disparities improvement account created in RCW 70A.65.280.~~

5 ~~(f) For fiscal year 2038 and each year thereafter, upon~~
6 ~~completion and verification of the auction results, the financial~~
7 ~~services administrator shall notify winning bidders and transfer the~~
8 ~~auction proceeds to the state treasurer for deposit as follows: (i)~~
9 ~~50 percent of the auction proceeds to the carbon emissions reduction~~
10 ~~account created in RCW 70A.65.240; and (ii) the remaining auction~~
11 ~~proceeds to the climate investment account created in RCW 70A.65.250~~
12 ~~and the air quality and health disparities improvement account~~
13 ~~created in RCW 70A.65.280))~~

14 (a) First, each fiscal year an amount
15 must be deposited in the climate commitment act operating account
16 created in section 1 of this act as follows: \$25,000,000 for fiscal
17 year 2028, increased each subsequent fiscal year by the implicit
18 price deflator averaged for each fiscal year using the official
19 current base rate, compiled by the bureau of economic analysis,
20 United States department of commerce. The department must calculate
21 this amount for every fiscal year and communicate it to the state
22 treasurer, the office of financial management, and legislative staff.
23 The legislature intends the funding in (a) of this subsection to be
24 used primarily for the department's costs to administer this chapter.

25 (b) The remaining auction proceeds each fiscal year after the
26 distribution in (a) of this subsection must be deposited as follows:

27 (i) 73 percent to the climate commitment act transportation
28 account created in RCW 70A.65.240. However, for fiscal year 2029, the
29 amount of the deposit to the climate commitment act transportation
30 account is \$300,000,000 or 73 percent, whichever is greater. When
31 total revenue to the climate commitment act transportation account
32 under this subsection reaches a maximum of \$359,117,000 for the
33 fiscal year, revenue under this subsection (7)(b)(i) is instead
34 deposited into the climate commitment act capital account created in
35 section 2 of this act;

36 (ii) 12 percent to the climate commitment act operating account
37 created in section 1 of this act. However, in fiscal year 2029, in
38 addition to the distribution in (a) of this subsection, the amount of
39 the deposit into the climate commitment act operating account is 50
40 percent of the remaining amount after making the distribution in (a)
of this subsection and the deposit under (b)(i) of this subsection.

1 When total revenue to the climate commitment act operating account
2 under (a) and (b)(ii) of this subsection reaches a maximum of
3 \$80,000,000 for the fiscal year, revenue under this subsection
4 (7)(b)(ii) is instead deposited into the climate commitment act
5 capital account created in section 2 of this act; and
6 (iii) 15 percent to the climate commitment act capital account
7 created in section 2 of this act. However, for fiscal year 2029, the
8 amount of the deposit into the climate commitment act capital account
9 is 50 percent of the remaining amount after making the distribution
10 in (a) of this subsection and the deposit under (b)(i) of this
11 subsection.

12 (8) The department shall adopt by rule provisions to guard
13 against bidder collusion and minimize the potential for market
14 manipulation. A registered entity may not release or disclose any
15 bidding information including: Intent to participate or refrain from
16 participation; auction approval status; intent to bid; bidding
17 strategy; bid price or bid quantity; or information on the bid
18 guarantee provided to the financial services administrator. The
19 department may cancel or restrict a previously approved auction
20 participation application or reject a new application if the
21 department determines that a registered entity has:

- 22 (a) Provided false or misleading facts;
23 (b) Withheld material information that could influence a decision
24 by the department;
25 (c) Violated any part of the auction rules;
26 (d) Violated registration requirements; or
27 (e) Violated any of the rules regarding the conduct of the
28 auction.

29 (9) Records containing the following information are confidential
30 and are exempt from public disclosure in their entirety:

- 31 (a) Bidding information as identified in subsection (8) of this
32 section;
33 (b) Information contained in the secure, online electronic
34 tracking system established by the department pursuant to RCW
35 70A.65.090(6);
36 (c) Financial, proprietary, and other market sensitive
37 information as determined by the department that is submitted to the
38 department pursuant to this chapter;
39 (d) Financial, proprietary, and other market sensitive
40 information as determined by the department that is submitted to the

1 independent contractor or the financial services administrator
2 engaged by the department pursuant to subsection (3) of this section;
3 and

4 (e) Financial, proprietary, and other market sensitive
5 information as determined by the department that is submitted to a
6 jurisdiction with which the department has entered into a linkage
7 agreement pursuant to RCW 70A.65.210, and which is shared with the
8 department, the independent contractor, or the financial services
9 administrator pursuant to a linkage agreement.

10 (10) Any cancellation or restriction approved by the department
11 under subsection (8) of this section may be permanent or for a
12 specified number of auctions and the cancellation or restriction
13 imposed is not exclusive and is in addition to the remedies that may
14 be available pursuant to chapter 19.86 RCW or other state or federal
15 laws, if applicable.

16 (11) The department shall design allowance auctions so as to
17 allow, to the maximum extent practicable, linking with external
18 greenhouse gas emissions trading programs in other jurisdictions and
19 to facilitate the transfer of allowances when the state's program has
20 entered into a linkage agreement with other external greenhouse gas
21 emissions trading programs. The department may conduct auctions
22 jointly with linked jurisdictions.

23 (12) In setting the number of allowances offered at each auction,
24 the department shall consider the allowances in the marketplace due
25 to the marketing of allowances issued as required under RCW
26 70A.65.110, 70A.65.120, and 70A.65.130 in the department's
27 determination of the number of allowances to be offered at auction.
28 The department shall offer only such number of allowances at each
29 auction as will enhance the likelihood of achieving the goals of RCW
30 70A.45.020.

31 **Sec. 4.** RCW 70A.65.230 and 2025 c 417 s 806 are each amended to
32 read as follows:

33 (1) It is the intent of the legislature that each (~~year~~)
34 biennium the total investments made through the (~~carbon emissions~~
35 ~~reduction~~) climate commitment act transportation account created in
36 RCW 70A.65.240, the (~~climate commitment account created in RCW~~
37 ~~70A.65.260, the natural climate solutions account created in RCW~~
38 ~~70A.65.270~~) climate commitment act operating account created in
39 section 1 of this act, the climate commitment act capital account

1 created in section 2 of this act, and the air quality and health
2 disparities improvement account created in RCW 70A.65.280, achieve
3 the following:

4 (a) A minimum of not less than 35 percent and a goal of 40
5 percent of total investments that provide direct and meaningful
6 benefits to vulnerable populations within the boundaries of
7 overburdened communities identified under chapter 70A.02 RCW; and

8 (b) In addition to the requirements of (a) of this subsection, a
9 minimum of not less than 10 percent of total investments that are
10 used for programs, activities, or projects (~~formally~~) supported by
11 (~~a resolution of~~) an Indian tribe, with priority given to otherwise
12 qualifying projects directly administered or proposed by an Indian
13 tribe. Investments that meet the requirement of this subsection
14 (1)(b) may include a letter of support from an Indian tribe, funding
15 provided to or requested by an Indian tribe, a formal resolution of
16 an Indian tribe, or similar expressions of support from an Indian
17 tribe. An investment that meets the requirements of both this
18 subsection (1)(b) and (a) of this subsection may count toward the
19 minimum percentage targets for both subsections.

20 (2) The expenditure of moneys under this chapter must be
21 consistent with applicable federal, state, and local laws, and treaty
22 rights including, but not limited to, prohibitions on uses of funds
23 imposed by the state Constitution.

24 (3) For the purposes of this section, "benefits" means
25 investments or activities that:

26 (a) Reduce vulnerable population characteristics, environmental
27 burdens, or associated risks that contribute significantly to the
28 cumulative impact designation of overburdened communities;

29 (b) Meaningfully protect an overburdened community from, or
30 support community response to, the impacts of air pollution or
31 climate change; or

32 (c) Meet a community need identified by vulnerable members of the
33 overburdened community that is consistent with the intent of this
34 chapter.

35 (~~(4) The state must develop a process by which to evaluate the~~
36 ~~impacts of the investments made under this chapter, work across state~~
37 ~~agencies to develop and track priorities across the different~~
38 ~~eligible funding categories, and work with the environmental justice~~
39 ~~council pursuant to RCW 70A.65.040.))~~

1 **Sec. 5.** RCW 70A.65.280 and 2021 c 316 s 31 are each amended to
2 read as follows:

3 (1) The air quality and health disparities improvement account is
4 created in the state treasury. Moneys in the account may be spent
5 only after appropriation. Expenditures from the account are intended
6 to:

7 (a) Improve air quality through the reduction of criteria
8 pollutants, including through effective air quality monitoring and
9 the establishment of adequate baseline emissions data; and

10 (b) Reduce health disparities in overburdened communities by
11 improving health outcomes through the reduction or elimination of
12 environmental harms and the promotion of environmental benefits.

13 (2) Moneys in the account may be used for ~~((either))~~ operating
14 budget, capital budget, or transportation budget purposes ~~((, — or~~
15 ~~both))~~. Moneys in the account may not be used for projects that would
16 violate tribal treaty rights or result in significant long-term
17 damage to critical habitat or ecological functions. Investments from
18 the account must result in long-term environmental benefits and
19 increased resilience to the impacts of climate change.

20 ~~((3) It is the intent of the legislature that not less than~~
21 ~~\$20,000,000 per biennium be dedicated to the account for the purposes~~
22 ~~of the account.))~~

23 **Sec. 6.** RCW 70A.65.300 and 2025 c 424 s 975 are each amended to
24 read as follows:

25 (1) The department shall prepare, post on the department website,
26 and submit to the appropriate committees of the legislature ~~((an~~
27 ~~annual))~~ a report that identifies all distributions of moneys from
28 the accounts created in RCW 70A.65.240 ~~((through))~~, 70A.65.280,
29 section 1 of this act, and section 2 of this act.

30 (2) The report must identify, at a minimum ~~((, — the))~~ :

31 (a) The recipient of the funding, the amount of the funding, the
32 purpose of the funding, the actual end result or use of the funding,
33 whether the project that received the funding produced any verifiable
34 reduction in greenhouse gas emissions or other long-term impact to
35 emissions, and if so, the quantity of reduced greenhouse gas
36 emissions, the cost per carbon dioxide equivalent metric ton of
37 reduced greenhouse gas emissions, and a comparison to other
38 greenhouse gas emissions reduction projects in order to facilitate

1 the development of cost-benefit ratios for greenhouse gas emissions
2 reduction projects; and

3 (b) The expenditures that provide direct and meaningful benefits
4 to vulnerable populations within the boundaries of overburdened
5 communities as described in RCW 70A.65.030 and 70A.65.230, and the
6 expenditures that are supported by an Indian tribe as described in
7 RCW 70A.65.230, including:

8 (i) The amount of each expenditure that provides direct and
9 meaningful benefits to vulnerable populations within the boundaries
10 of overburdened communities;

11 (ii) An explanation of how the expenditure provides such
12 benefits;

13 (iii) The methods by which overburdened communities and
14 vulnerable populations were identified by the agency and an
15 explanation of the outcomes of those identification processes,
16 including the geographic location impacted by the expenditure where
17 relevant, and the geographic boundaries of overburdened communities
18 identified by the agency; and

19 (iv) The amount of each expenditure used for programs,
20 activities, or projects supported by an Indian tribe.

21 (3) The department shall require by rule that recipients of funds
22 from the accounts created in RCW 70A.65.240 through 70A.65.280,
23 section 1 of this act, and section 2 of this act report to the
24 department, in a form and manner prescribed by the department, the
25 information required for the department to carry out the department's
26 duties established in this section.

27 ~~(4) ((The department shall update its website with the~~
28 ~~information described in subsection (2) of this section as~~
29 ~~appropriate but no less frequently than once per calendar year.~~

30 ~~(5) The))~~ After the conclusion of each fiscal year through fiscal
31 year 2027, the department shall submit ((its)) the report under this
32 section to the appropriate committees of the legislature ((with the
33 ~~information described in subsection (2) of this section)) and update~~
34 its website no later than ((September 30)) December 31st of each
35 year. ((For fiscal year 2025, the report must be submitted no later
36 ~~than November 30, 2024. During the 2025-2027 fiscal biennium, the~~
37 ~~report must be submitted no later than November 30 of each fiscal~~
38 ~~year.))~~ Beginning with the 2027-2029 biennium, after the conclusion
39 of each biennium the department shall submit the report on a biennial
40 basis by December 31st of each odd-numbered year.

1 NEW SECTION. **Sec. 7.** (1) Following the fiscal closure of the
2 2025-2027 biennium, the state treasurer must transfer the remaining
3 balance of the climate investment account created in RCW 70A.65.250,
4 the climate commitment account created in RCW 70A.65.260, and the
5 natural climate solutions account created in RCW 70A.65.270 into the
6 climate commitment act capital account created in section 2 of this
7 act.

8 (2) After the effective date of this section, the state treasurer
9 must transfer any amounts directed to be deposited into the climate
10 investment account created in RCW 70A.65.250, the climate commitment
11 account created in RCW 70A.65.260, or the natural climate solutions
12 account created in RCW 70A.65.270 into the climate commitment act
13 capital account created in section 2 of this act.

14 **Sec. 8.** RCW 43.21B.300 and 2025 c 316 s 302 and 2025 c 58 s 3008
15 are each reenacted and amended to read as follows:

16 (1) Any civil penalty provided in RCW 18.104.155, 70A.15.3160,
17 70A.205.280, 70A.230.080, 70A.300.090, 70A.20.050, 70A.245.040,
18 70A.245.050, 70A.245.070, 70A.245.080, 70A.245.130, 70A.245.140,
19 70A.65.200, 70A.430.070, 70A.455.090, 70A.500.260, 70A.505.110,
20 70A.555.110, 70A.560.020, 70A.208.230, 70A.565.030, 86.16.081,
21 88.46.090, 90.03.600, 90.46.270, 90.48.144, 90.56.310, 90.56.330, and
22 90.64.102 and chapter 70A.355 RCW shall be imposed by a notice in
23 writing, either by certified mail with return receipt requested or by
24 personal service, to the person incurring the penalty from the
25 department or the local air authority, describing the violation with
26 reasonable particularity. For penalties issued by local air
27 authorities, within 30 days after the notice is received, the person
28 incurring the penalty may apply in writing to the authority for the
29 remission or mitigation of the penalty. Upon receipt of the
30 application, the authority may remit or mitigate the penalty upon
31 whatever terms the authority in its discretion deems proper. The
32 authority may ascertain the facts regarding all such applications in
33 such reasonable manner and under such rules as it may deem proper and
34 shall remit or mitigate the penalty only upon a demonstration of
35 extraordinary circumstances such as the presence of information or
36 factors not considered in setting the original penalty.

37 (2) Any penalty imposed under this section may be appealed to the
38 pollution control hearings board in accordance with this chapter if
39 the appeal is filed with the hearings board and served on the

1 department or authority 30 days after the date of receipt by the
2 person penalized of the notice imposing the penalty or 30 days after
3 the date of receipt of the notice of disposition by a local air
4 authority of the application for relief from penalty.

5 (3) A penalty shall become due and payable on the later of:

6 (a) 30 days after receipt of the notice imposing the penalty;

7 (b) 30 days after receipt of the notice of disposition by a local
8 air authority on application for relief from penalty, if such an
9 application is made; or

10 (c) 30 days after receipt of the notice of decision of the
11 hearings board if the penalty is appealed.

12 (4) If the amount of any penalty is not paid to the department
13 within 30 days after it becomes due and payable, the attorney
14 general, upon request of the department, shall bring an action in the
15 name of the state of Washington in the superior court of Thurston
16 county, or of any county in which the violator does business, to
17 recover the penalty. If the amount of the penalty is not paid to the
18 authority within 30 days after it becomes due and payable, the
19 authority may bring an action to recover the penalty in the superior
20 court of the county of the authority's main office or of any county
21 in which the violator does business. In these actions, the procedures
22 and rules of evidence shall be the same as in an ordinary civil
23 action.

24 (5) All penalties recovered shall be paid into the state treasury
25 and credited to the general fund except the following:

26 (a) Penalties imposed pursuant to RCW 18.104.155 must be credited
27 to the reclamation account as provided in RCW 18.104.155(7);

28 (b) Penalties imposed pursuant to RCW 70A.15.3160 must be
29 disposed of pursuant to RCW 70A.15.3160;

30 (c) Penalties imposed pursuant to RCW 70A.230.080, 70A.300.090,
31 70A.430.070, 70A.555.110, 70A.560.020, and 70A.565.030 must be
32 credited to the model toxics control operating account created in RCW
33 70A.305.180;

34 (d) Penalties imposed pursuant to RCW 70A.245.040, 70A.245.050,
35 and chapter 70A.208 RCW must be credited to the recycling enhancement
36 account created in RCW 70A.245.100;

37 (e) Penalties imposed pursuant to RCW 70A.500.260 must be
38 deposited into the electronic products recycling account created in
39 RCW 70A.500.130;

1 (f) Penalties imposed pursuant to RCW 70A.65.200 must be credited
2 to the climate (~~(investment)~~) commitment act operating account
3 created in (~~(RCW 70A.65.250)~~) section 1 of this act;

4 (g) Penalties imposed pursuant to RCW 90.56.330 must be credited
5 to the coastal protection fund established in RCW 90.48.390; and

6 (h) Penalties imposed pursuant to RCW 70A.355.070 must be
7 credited to the underground storage tank account created in RCW
8 70A.355.090.

9 **Sec. 9.** RCW 70A.65.030 and 2025 c 424 s 972, 2025 c 417 s 804,
10 and 2025 c 58 s 3011 are each reenacted and amended to read as
11 follows:

12 (1) Except as provided in subsection (4) of this section, each
13 year or biennium, as appropriate, when allocating funds from the
14 (~~(carbon emissions reduction)~~) climate commitment act transportation
15 account created in RCW 70A.65.240, the climate commitment act
16 operating account created in (~~(RCW 70A.65.260)~~) section 1 of this
17 act, the (~~(natural climate solutions)~~) climate commitment act capital
18 account created in (~~(RCW 70A.65.270)~~) section 2 of this act, (~~(the~~
19 ~~climate investment account created in RCW 70A.65.250,~~) or the air
20 quality and health disparities improvement account created in RCW
21 70A.65.280, or administering grants or programs funded by the
22 accounts, agencies shall conduct an environmental justice assessment
23 consistent with the requirements of RCW 70A.02.060 and establish a
24 minimum of not less than 35 percent and a goal of 40 percent of total
25 investments that provide direct and meaningful benefits to vulnerable
26 populations within the boundaries of overburdened communities
27 through: (a) The direct reduction of environmental burdens in
28 overburdened communities; (b) the reduction of disproportionate,
29 cumulative risk from environmental burdens, including those
30 associated with climate change; (c) the support of community led
31 project development, planning, and participation costs; or (d)
32 meeting a community need identified by the community that is
33 consistent with the intent of this chapter or RCW 70A.02.010.

34 (2) The allocation of funding under subsection (1) of this
35 section must adhere to the following principles, additional to the
36 requirements of RCW 70A.02.080: (a) Benefits and programs should be
37 directed to areas and targeted to vulnerable populations and
38 overburdened communities to reduce statewide disparities; (b)
39 investments and benefits should be made roughly proportional to the

1 health disparities that a specific community experiences, with a goal
2 of eliminating the disparities; (c) investments and programs should
3 focus on creating environmental benefits, including eliminating
4 health burdens, creating community and population resilience, and
5 raising the quality of life of those in the community; and (d)
6 efforts should be made to balance investments and benefits across the
7 state and within counties, local jurisdictions, and unincorporated
8 areas as appropriate to reduce disparities by location and to ensure
9 efforts contribute to a reduction in disparities that exist based on
10 race or ethnicity, socioeconomic status, or other factors.

11 (3) Except as provided in subsection (4) of this section, state
12 agencies allocating funds or administering grants or programs from
13 the ~~((carbon—emissions—reduction))~~ climate commitment act
14 transportation account created in RCW 70A.65.240, the climate
15 commitment act operating account created in ~~((RCW—70A.65.260))~~
16 section 1 of this act, the ~~((natural—climate—solutions))~~ climate
17 commitment act capital account created in ~~((RCW—70A.65.270))~~ section
18 2 of this act, ~~((the—climate—investment—account—created—in—RCW~~
19 ~~70A.65.250,))~~ or the air quality and health disparities improvement
20 account created in RCW 70A.65.280, must:

21 (a) Report ~~((annually))~~ biennially to the environmental justice
22 council created in RCW 70A.02.110 regarding progress toward meeting
23 environmental justice and environmental health goals;

24 (b) Consider recommendations by the environmental justice
25 council; and

26 (c)(i) If the agency is not a covered agency subject to the
27 requirements of chapter 70A.02 RCW, create and adopt a community
28 engagement plan to describe how it will engage with overburdened
29 communities and vulnerable populations in allocating funds or
30 administering grants or programs from the climate investment account.

31 (ii) The plan must include methods for outreach and communication
32 with those who face barriers, language or otherwise, to
33 participation.

34 (4) ~~((During the 2023–2025 and 2025–2027 fiscal biennia:))~~

35 (a) The requirement of subsection (1) of this section to conduct
36 an environmental justice assessment applies only to covered agencies
37 as defined in RCW 70A.02.010 and to significant agency actions as
38 defined in RCW 70A.02.010.

39 (b) Agencies shall coordinate with the department and the office
40 of financial management to achieve total statewide spending from the

1 accounts listed in subsection (1) of this section of not less than 35
2 percent and a goal of 40 percent of total investments that provide
3 direct and meaningful benefits to vulnerable populations within the
4 boundaries of overburdened communities as otherwise described in
5 subsection (1)(a) through (d) of this section and in accordance with
6 RCW 70A.65.230.

7 (c) The requirements of subsection (3)(c) of this section for
8 agencies other than covered agencies to create and adopt community
9 engagement plans apply only to executive branch agencies and
10 institutions of higher education, as defined in RCW 28B.10.016,
11 receiving total appropriations of more than \$2,000,000 (~~for the~~
12 ~~2023-2025 fiscal~~) per biennium from the accounts listed in
13 subsection (1) of this section.

14 **Sec. 10.** RCW 70A.65.040 and 2025 c 417 s 805 are each amended to
15 read as follows:

16 (1) The environmental justice council created in RCW 70A.02.110
17 must provide recommendations to the legislature, agencies, and the
18 governor in the development and implementation of the program
19 established in RCW 70A.65.060 through 70A.65.210, and the programs
20 funded from the (~~carbon emissions reduction~~) climate commitment act
21 transportation account created in RCW 70A.65.240, the climate
22 commitment act operating account created in (~~RCW 70A.65.260~~)
23 section 1 of this act, and the (~~natural climate solutions~~) climate
24 commitment act capital account created in (~~RCW 70A.65.270, and the~~
25 ~~climate investment account created in RCW 70A.65.250~~) section 2 of
26 this act.

27 (2) In addition to the duties and authorities granted in chapter
28 70A.02 RCW to the environmental justice council, the environmental
29 justice council must:

30 (a) Provide recommendations to the legislature, agencies, and the
31 governor in the development of:

32 (i) The program established in RCW 70A.65.060 through 70A.65.210
33 including, but not limited to, linkage with other jurisdictions,
34 protocols for establishing offset projects and securing offset
35 credits, designation of emissions-intensive and trade-exposed
36 industries under RCW 70A.65.110, and administration of allowances
37 under the program; and

38 (ii) Investment plans and funding proposals for the programs
39 funded from the climate (~~investment~~) commitment act operating

1 account created in ((~~RCW 70A.65.250~~)) section 1 of this act for the
2 purpose of providing environmental benefits and reducing
3 environmental health disparities within overburdened communities;

4 (b) Provide a forum to analyze policies adopted under this
5 chapter to determine if the policies lead to improvements within
6 overburdened communities;

7 (c) Recommend procedures and criteria for evaluating programs,
8 activities, or projects;

9 (d) Recommend copollutant emissions reduction goals in
10 overburdened communities;

11 (e) Evaluate the level of funding provided to assist vulnerable
12 populations, low-income individuals, and impacted workers and the
13 funding of projects and activities located within or benefiting
14 overburdened communities;

15 (f) Recommend environmental justice and environmental health
16 goals for programs, activities, and projects funded from the climate
17 investment account, and review agency annual reports on outcomes and
18 progress toward meeting these goals;

19 (g) Provide recommendations to implementing agencies for
20 meaningful consultation with vulnerable populations, including
21 community engagement plans under RCW 70A.65.020 and 70A.65.030; and

22 (h) Recommend how to support public participation through
23 capacity grants for participation.

24 (3) For the purpose of performing the duties under subsection (2)
25 of this section, two additional tribal members are added to the
26 council.

27 **Sec. 11.** RCW 70A.65.060 and 2024 c 352 s 2 are each amended to
28 read as follows:

29 (1) In order to ensure that greenhouse gas emissions are reduced
30 by covered entities consistent with the limits established in RCW
31 70A.45.020, the department must implement a cap on greenhouse gas
32 emissions from covered entities and a program to track, verify, and
33 enforce compliance through the use of compliance instruments.

34 (2) The program must consist of:

35 (a) Annual allowance budgets that limit emissions from covered
36 entities, as provided in this section and RCW 70A.65.070 and
37 70A.65.080;

1 (b) Defining those entities covered by the program, and those
2 entities that may voluntarily opt into coverage under the program, as
3 provided in this section and RCW 70A.65.070 and 70A.65.080;

4 (c) Distribution of emission allowances, as provided in RCW
5 70A.65.100, and through the allowance price containment provisions
6 under RCW 70A.65.140 and 70A.65.150;

7 (d) Providing for offset credits as a method for meeting a
8 compliance obligation, pursuant to RCW 70A.65.170;

9 (e) Defining the compliance obligations of covered entities, as
10 provided in chapter 316, Laws of 2021;

11 (f) Establishing the authority of the department to enforce the
12 program requirements, as provided in RCW 70A.65.200;

13 ~~(g) ((Creating a climate investment account for the deposit of
14 receipts from the distribution of emission allowances, as provided in
15 RCW 70A.65.250;~~

16 ~~(h))~~ Providing for the transfer of allowances and recognition of
17 compliance instruments, including those issued by jurisdictions with
18 which Washington has linkage agreements;

19 ~~((i))~~ (h) Providing monitoring and oversight of the sale and
20 transfer of allowances by the department;

21 ~~((j))~~ (i) Creating a price ceiling and associated mechanisms as
22 provided in RCW 70A.65.160; and

23 ~~((k))~~ (j) Providing for the allocation of allowances to
24 emissions-intensive, trade-exposed industries pursuant to RCW
25 70A.65.110.

26 (3) The department shall consider opportunities to implement the
27 program in a manner that allows linking the state's program with
28 those of other jurisdictions. The department must evaluate whether
29 such linkage will provide for a more cost-effective means for covered
30 entities to meet their compliance obligations in Washington while
31 recognizing the special characteristics of the state's economy,
32 communities, and industries. The department is authorized to enter
33 into a linkage agreement with another jurisdiction after conducting
34 an environmental justice assessment and after formal notice and
35 opportunity for a public hearing, and when consistent with the
36 requirements of RCW 70A.65.210. The department is authorized to
37 withdraw from a linkage agreement and every linkage agreement must
38 provide that the department reserves the right to withdraw from the
39 agreement.

1 (4) During the 2022 regular legislative session, the department
2 must bring forth agency request legislation developed in consultation
3 with emissions-intensive, trade-exposed businesses, covered entities,
4 environmental advocates, and overburdened communities that outlines a
5 compliance pathway specific to emissions-intensive, trade-exposed
6 businesses for achieving their proportionate share of the state's
7 emissions reduction limits through 2050.

8 (5) By December 1, 2027, and by December 1st of each year that is
9 one year after the end of a compliance period, and in compliance with
10 RCW 43.01.036, the department must submit a report to the legislature
11 that includes a comprehensive review of the implementation of the
12 program to date, including but not limited to outcomes relative to
13 the state's emissions reduction limits, overburdened communities,
14 covered entities, and emissions-intensive, trade-exposed businesses.
15 The department must transmit the report to the environmental justice
16 council at the same time it is submitted to the legislature.

17 (6) The department must bring forth agency request legislation if
18 the department finds that any provision of this chapter prevents
19 linking Washington's cap and invest program with that of any other
20 jurisdiction.

21 **Sec. 12.** RCW 70A.65.200 and 2024 c 352 s 8 are each amended to
22 read as follows:

23 (1) All covered and opt-in entities are required to submit
24 compliance instruments in a timely manner to meet the entities'
25 compliance obligations and shall comply with all requirements for
26 monitoring, reporting, holding, and transferring emission allowances
27 and other provisions of this chapter.

28 (2) If a covered or opt-in entity does not submit sufficient
29 compliance instruments to meet its compliance obligation by the
30 specified transfer dates, a penalty of four allowances for every one
31 compliance instrument that is missing must be submitted to the
32 department within six months. When a covered entity or opt-in entity
33 reasonably believes that it will be unable to meet a compliance
34 obligation, the entity shall immediately notify the department. Upon
35 receiving notification, the department shall issue an order requiring
36 the entity to submit the penalty allowances.

37 (3) If a covered entity or opt-in entity fails to submit penalty
38 allowances as required by subsection (2) of this section, the
39 department must issue an order or issue a penalty of up to \$10,000

1 per day per violation, or both, for failure to submit penalty
2 allowances as required by subsection (2) of the section. The order
3 may include a plan and schedule for coming into compliance.

4 (4) The department may issue a penalty of up to \$50,000 per day
5 per violation for violations of RCW 70A.65.100(8) (a) through (e).

6 (5) Except as provided in subsections (3) and (4) of this
7 section, any person that violates the terms of this chapter or an
8 order issued under this chapter incurs a penalty of up to \$10,000 per
9 day per violation for each day that the person does not comply. All
10 penalties under subsections (3) and (4) of this section and this
11 subsection must be deposited into the climate ~~((investment))~~
12 commitment act operating account created in ~~((RCW 70A.65.250))~~
13 section 1 of this act.

14 (6) Orders and penalties issued under this chapter are appealable
15 to the pollution control hearings board under chapter 43.21B RCW.

16 (7) Until the department enters into a linkage agreement or until
17 the end of the first compliance period, whichever is sooner, the
18 department may reduce the amount of the penalty by adjusting the
19 monetary amount or the number of penalty allowances described in
20 subsections (2) and (3) of this section.

21 (8) An electric utility or natural gas utility must notify its
22 retail customers and the environmental justice council in published
23 form within three months of paying a monetary penalty under this
24 section.

25 (9)(a) No city, town, county, township, or other subdivision or
26 municipal corporation of the state may implement a charge or tax
27 based exclusively upon the quantity of greenhouse gas emissions.

28 (b) No state agency may adopt or enforce a greenhouse gas pricing
29 or market-based emissions cap and reduce program for stationary
30 sources, or adopt or enforce emission limitations on greenhouse gas
31 emissions from stationary sources except as:

32 (i) Provided in this chapter;

33 (ii) Authorized or directed by a state statute in effect as of
34 July 1, 2022; or

35 (iii) Required to implement a federal statute, rule, or program.

36 (c) This chapter preempts the provisions of chapter 173-442 WAC,
37 and the department shall repeal chapter 173-442 WAC.

38 (10)(a) By December 1, 2023, the office of financial management
39 must submit a report to the appropriate committees of the legislature
40 that summarizes two categories of state laws other than this chapter:

1 (i) Laws that regulate greenhouse gas emissions from stationary
2 sources, and the greenhouse gas emission reductions attributable to
3 each chapter, relative to a baseline in which this chapter and all
4 other state laws that regulate greenhouse gas emissions are presumed
5 to remain in effect; and

6 (ii) Laws whose implementation may effectuate reductions in
7 greenhouse gas emissions from stationary sources.

8 (b) The state laws that the office of financial management may
9 address in completing the report required in this subsection include,
10 but are not limited to:

11 (i) Chapter 19.27A RCW;

12 (ii) Chapter 19.280 RCW;

13 (iii) Chapter 19.405 RCW;

14 (iv) Chapter 36.165 RCW;

15 (v) Chapter 43.21F RCW;

16 (vi) Chapter 70.30 RCW;

17 (vii) Chapter 70A.15 RCW;

18 (viii) Chapter 70A.45 RCW;

19 (ix) Chapter 70A.60 RCW;

20 (x) Chapter 70A.535 RCW;

21 (xi) Chapter 80.04 RCW;

22 (xii) Chapter 80.28 RCW;

23 (xiii) Chapter 80.70 RCW;

24 (xiv) Chapter 80.80 RCW; and

25 (xv) Chapter 81.88 RCW.

26 (c) The office of financial management may contract for all or
27 part of the work product required under this subsection.

28 **Sec. 13.** RCW 70A.65.305 and 2024 c 375 s 8004 are each amended
29 to read as follows:

30 (1) Agencies that allocate funding or administer grant programs
31 appropriated from the climate (~~(investment)~~) commitment act operating
32 account created in ((RCW 70A.65.250,)) section 1 of this act and the
33 climate commitment act capital account created in ((RCW 70A.65.260,
34 and the natural climate solutions account created in RCW 70A.65.270))
35 section 2 of this act, including any new appropriations greater than
36 \$2,000,000 per biennium which fit the description of executive order
37 21-02, must offer early, meaningful, and individual consultation with
38 any affected federally recognized tribe on all funding decisions and
39 funding programs that may impact tribal resources, including tribal

1 cultural resources, archaeological sites, sacred sites, fisheries, or
2 other rights and interests in tribal lands and lands within which a
3 tribe or tribes possess rights reserved or protected by federal
4 treaty, statute, or executive order. The consultation is independent
5 of, and in addition to, any public participation process required by
6 federal or state law, or by a federal or state agency, including the
7 requirements of Executive Order 21-02 related to archaeological and
8 cultural resources, and regardless of whether the agency receives a
9 request for consultation from a federally recognized tribe. The goal
10 of the consultation process is to identify tribal resources or rights
11 potentially affected by the funding decisions and funding programs,
12 assess their effects, and seek ways to avoid, minimize, or mitigate
13 any adverse effects on tribal resources or rights.

14 (2) At the earliest possible date prior to submittal of an
15 application, applicants for funding from the accounts created in
16 (~~RCW 70A.65.250, 70A.65.260, and 70A.65.270~~) sections 1 and 2 of
17 this act shall engage in a preapplication process with all affected
18 federally recognized tribes within the project area. (~~During the~~
19 ~~2023-2025 fiscal biennium, salmon habitat and climate resilience~~
20 ~~projects funded from the natural climate solutions account created in~~
21 ~~RCW 70A.65.270 that went through the application and prioritization~~
22 ~~process before July 1, 2023, are exempt from the preapplication~~
23 ~~requirements under this subsection.))~~

24 (a) The preapplication process must include the applicant
25 notifying the department of archaeology and historic preservation,
26 the department of fish and wildlife, and all affected federally
27 recognized tribes within the project area. The notification must
28 include geographical location, detailed scope of the proposed
29 project, preliminary application details available to federal, state,
30 or local governmental jurisdictions, and all publicly available
31 materials, including public funding sources.

32 (b) The applicant must also offer to discuss the project with the
33 department of archaeology and historic preservation, the department
34 of fish and wildlife, and all affected federally recognized tribes
35 within the project area. Discussions may include the project's impact
36 to tribal resources, including tribal cultural resources,
37 archaeological sites, sacred sites, fisheries, or other rights and
38 interests in tribal lands and lands within which a tribe or tribes
39 possess rights reserved or protected by federal treaty, statute, or
40 executive order.

1 (c) All affected federally recognized tribes may submit to the
2 appropriate agency or agencies a summary of tribal issues, questions,
3 concerns, or other statements regarding the project, which must
4 become part of the official application file. The summary does not
5 limit what issues affected federally recognized tribes may raise in
6 the consultation process identified in subsections (1), (3) through
7 (7), and (9) of this section.

8 (d) The notification and offer to initiate discussion must be
9 documented with the application when it is filed, and a copy of the
10 application must be delivered to the department of archaeology and
11 historic preservation, the department of fish and wildlife, and to
12 the affected federally recognized tribe or tribes. If the discussions
13 pursuant to (b) of this subsection do not occur, the applicant must
14 document the reason why the discussion or discussions did not occur.

15 (e) Nothing in this section may be interpreted to require the
16 disclosure of information that is exempt from disclosure pursuant to
17 RCW 42.56.300 or federal law, including section 304 of the national
18 historic preservation act of 1966. Any information that is exempt
19 from disclosure pursuant to RCW 42.56.300 or federal law, including
20 section 304 of the national historic preservation act of 1966, shall
21 not become part of the official application file.

22 (3) If any funding decision, program, project, or activity that
23 may impact tribal resources, including tribal cultural resources,
24 archaeological sites, sacred sites, fisheries, or other rights and
25 interests in tribal lands and lands within which a tribe or tribes
26 possess rights reserved by federal treaty, statute, or executive
27 order is funded from the accounts created in (~~RCW 70A.65.250,~~
28 ~~70A.65.260,~~ and ~~70A.65.270~~) sections 1 and 2 of this act without
29 such a consultation with an affected federally recognized tribe, the
30 affected federally recognized tribe may request that all further
31 action on the decision, program, project, or activity cease until
32 meaningful consultation is completed. Upon receipt of such a request
33 by an agency or agencies with the authority to allocate funding or
34 administer grant programs from the accounts listed in subsection (1)
35 of this section in support of the proposed project, further action by
36 the agency or agencies on any decision, program, project, or activity
37 that would result in significant physical disturbance of the tribal
38 resource or resources described in this subsection must cease until
39 the consultation has been completed.

1 (4) Upon completion of agency and tribal consultation, an
2 affected federally recognized tribe may request a formal review of
3 the consultation by submitting a request to the governor's office of
4 Indian affairs and notifying the appropriate agencies and the
5 department of archaeology and historic preservation. The state
6 agencies and tribe must meet to initiate discussion within no more
7 than 20 days of the request. This consultation must be offered and
8 conducted separately with each affected federally recognized tribe,
9 unless the tribes agree to conduct a joint consultation with the
10 state.

11 (5) After the state agencies and tribe or tribes have conducted a
12 formal review under subsection (4) of this section, an affected
13 federally recognized tribe or state agency may request that the
14 governor and an elected tribal leader or leaders of a federally
15 recognized tribal government meet to formally consider the
16 recommendations from the parties. If requested, this meeting must
17 occur within 30 days of the request, except that a federally
18 recognized tribe may choose to opt out of the meeting. This timeline
19 may be extended by mutual agreement between the governor and the
20 tribal leaders.

21 (6) After the meeting identified in subsection (5) of this
22 section has occurred, the governor or an elected tribal leader of a
23 federally recognized tribe may call for the state and tribe or tribes
24 to enter into formal mediation, except that a federally recognized
25 tribe may choose to opt out of the mediation. If entered into, the
26 mediation must be conducted as a government-to-government proceeding,
27 with each sovereign government retaining their right to a final
28 decision that meets their separate obligations and interests.
29 Mediators must be jointly selected by the parties to the mediation.
30 An agreement between the governor and a tribal leader or leaders
31 resulting from the mediation is formally recognized and binding on
32 the signatory parties. Absent an agreement, participation in
33 mediation does not preclude any additional steps that any party can
34 initiate, including legal review, to resolve a continuing
35 disagreement.

36 (7) During the proceedings outlined in subsections (4) through
37 (6) of this section, the agency or agencies with the authority to
38 allocate funding or administer grant programs from the accounts
39 listed in subsection (1) of this section in support of the proposed
40 project may not approve or release funding, or make other formal

1 decisions, including permitting, that advance the proposed project
2 except where required by law.

3 (8) By June 30, 2023, the governor's office of Indian affairs, in
4 coordination with the department of archaeology and historic
5 preservation and federally recognized tribes, shall develop a state
6 agency tribal consultation process, including best practices for
7 early, meaningful, and effective consultation, early notification and
8 engagement by applicants with federally recognized tribes as a part
9 of the preapplication process in subsection (2) of this section, and
10 protocols for communication and collaboration with federally
11 recognized tribes. The consultation process developed under this
12 section must be periodically reviewed and updated in coordination
13 with federally recognized tribes. The governor's office of Indian
14 affairs must provide training and other technical assistance to state
15 agencies, as they implement the required consultation.
16 Notwithstanding the governor's office of Indian affairs' ongoing work
17 pursuant to this subsection, the provisions of subsections (1)
18 through (7) and (9) of this section become effective as of June 9,
19 2022.

20 (9) The requirements of this section apply to local governments
21 that receive funding from the accounts created in (~~RCW 70A.65.250,~~
22 ~~70A.65.260, and 70A.65.270~~) sections 1 and 2 of this act, where that
23 funding is disbursed to project and program applicants. Where
24 requested, the governor's office of Indian affairs must provide
25 training and other technical assistance to local government agencies
26 as they implement the consultation requirements of this section.

27 (10) Any agency subject to or implementing this section may adopt
28 rules in furtherance of its duties under this section.

29 (11) Subject to the availability of amounts appropriated for this
30 specific purpose, the department must establish a tribal capacity
31 grant program to provide funding to federally recognized tribes for
32 the costs of implementing this section.

33 **Sec. 14.** RCW 76.04.196 and 2025 c 93 s 2 are each amended to
34 read as follows:

35 (1) Subject to the availability of amounts appropriated for this
36 specific purpose, the office of risk management shall, in
37 consultation with the department, establish a prescribed fire claims
38 fund pilot program for the purposes of:

1 (a) Supporting coverage for losses from prescribed fires and
2 cultural burning on department protected lands and on tribal lands
3 where an agreement exists between the Indian tribe and the department
4 or where approved by the Indian tribe. The fund would not be utilized
5 when prescribed fires or cultural burning have federal tort claims
6 act coverage under a federally recognized burn plan; and

7 (b) Supporting nonstate and nonfederal entities that are alleged
8 to have caused damages resulting from appropriately conducted
9 prescribed fires or cultural burning on department protected lands
10 and tribal lands as described in (a) of this subsection.

11 (2) To be eligible for reimbursement under this section, a claim
12 must meet the criteria in (a) and (b) of this subsection.

13 (a) The claim results from a prescribed fire or cultural burn
14 conducted on department protected lands and tribal lands as described
15 in subsection (1)(a) of this section:

16 (i) By a certified burn manager, under an approved burn plan,
17 with applicable permits and in accordance with any other applicable
18 conditions or requirements as determined by the department; or

19 (ii) By a cultural fire practitioner, in accordance with any
20 applicable burn plan or permit.

21 (b) The claim is for:

22 (i) Property or economic damage, as described under RCW
23 76.04.760(3) (a), (c), and (d), suffered by the claimant as a result
24 of the prescribed fire or cultural burn;

25 (ii) Reasonable costs authorized for reimbursement by the
26 department under RCW 76.04.475, related to the prescribed fire or
27 cultural burn; or

28 (iii) Costs of suppression of an escapement for which a person is
29 liable to a third party.

30 (c) A claim for damage suffered as a result of a prescribed fire
31 or cultural burn started, spread, or otherwise caused by a criminal
32 or negligent act is not eligible for reimbursement under this
33 section.

34 (3) Upon submission of a claim, the department shall determine
35 and certify to the office of risk management whether the claim meets
36 the criteria in subsection (2) of this section.

37 (4) The office of risk management may reimburse an eligible claim
38 in an amount equal to or less than the actual losses suffered by the
39 claimant, not to exceed \$2,000,000 per claim. The payment of a claim
40 under this section is conditional on the availability of specific

1 funding for this purpose, and nothing in this section shall be
2 construed to create an entitlement to reimbursement or payment of any
3 claim. The total amount paid for claims may not exceed the amounts
4 available in the account established in subsection (7) of this
5 section.

6 (5)(a) The office of risk management shall collaborate with the
7 department, other relevant state agencies, the Washington prescribed
8 fire council, cultural fire practitioners, and certified burn
9 managers to establish guidelines governing the pilot program and the
10 administration of the account established in subsection (7) of this
11 section, including:

12 (i) Procedures for the submission of claims;

13 (ii) Any additional criteria for claim eligibility, as
14 appropriate; and

15 (iii) A methodology or structure for how the payment of claims
16 will be prioritized in the event that eligible claims exceed the
17 amounts available in the account established in subsection (7) of
18 this section.

19 (b) The office of risk management and the department may adopt
20 rules to implement this section.

21 (c) Guidelines and any rules adopted under this section must be
22 made publicly available on the websites of the office of risk
23 management and the department.

24 (6) This section does not limit the ability of a person to assert
25 a claim for damages arising from a prescribed fire under any other
26 law. A court shall offset any award of damages to a claimant under an
27 action arising from the same set of alleged facts by the amount of
28 reimbursement provided under this section.

29 (7)(a) The prescribed fire claims account is created in the state
30 treasury. Moneys in the account may be spent only after
31 appropriation. Expenditures from the account may only be used for the
32 reimbursement of claims under this section.

33 (b) Upon the expiration of this section, any remaining amounts in
34 the account must be deposited in the ~~((natural climate solutions))~~
35 climate commitment act capital account created in section 2 of this
36 act.

37 (8) For the purposes of this section:

38 (a) "Certified burn manager" means a prescribed burn manager
39 certified under RCW 76.04.183 or a prescribed fire burn boss
40 certified under the national wildfire coordinating group standards.

1 (b) "Cultural fire practitioner" means a person approved by an
2 Indian tribe as having experience in burning to meet cultural goals
3 or objectives, including subsistence, ceremonial activities,
4 biodiversity, or other benefits.

5 (c) "Department protected lands" has the same meaning as in RCW
6 76.04.005.

7 (d) "Indian tribe" has the same meaning as in RCW 43.376.010.

8 (9) This section expires June 30, 2033.

9 **Sec. 15.** RCW 76.13.120 and 2024 c 158 s 1 are each amended to
10 read as follows:

11 (1) The legislature finds that the state should acquire easements
12 primarily along riparian and other sensitive aquatic areas from
13 qualifying small forestland owners willing to sell or donate
14 easements to the state provided that the state will not be required
15 to acquire the easements if they are subject to unacceptable
16 liabilities. Therefore the legislature establishes a forestry
17 riparian easement program.

18 (2) The definitions in this subsection apply throughout this
19 section and RCW 76.13.100, 76.13.110, 76.13.140, and 76.13.160 unless
20 the context clearly requires otherwise.

21 (a) "Forestry riparian easement" means an easement covering
22 qualifying timber granted voluntarily to the state by a qualifying
23 small forestland owner.

24 (b) "Qualifying small forestland owner" means a landowner meeting
25 all of the following characteristics as of the date the department
26 offers compensation for a forestry riparian easement:

27 (i) Is a small forestland owner as defined in (d) of this
28 subsection; and

29 (ii) Is an individual, partnership, corporation, or other
30 nongovernmental for-profit legal entity.

31 (c) "Qualifying timber" means those forest trees on land owned by
32 a qualifying small forestland owner for which the small forestland
33 owner is willing to grant the state a forestry riparian easement and
34 meets all of the following:

35 (i) The forest trees are covered by a forest practices
36 application that the small forestland owner is required to leave
37 unharvested under the rules adopted under RCW 76.09.040, 76.09.055,
38 and 76.09.370 or that is made uneconomic to harvest by those rules;

1 (ii) The forest trees are within or bordering a commercially
2 reasonable harvest unit as determined under rules adopted by the
3 forest practices board, or for which an approved forest practices
4 application for timber harvest cannot be obtained because of
5 restrictions under the forest practices rules;

6 (iii) The forest trees are located within, or affected by forest
7 practices rules pertaining to any one, or all, of the following:

8 (A) Riparian or other sensitive aquatic areas;

9 (B) Channel migration zones; or

10 (C) Areas of potentially unstable slopes or landforms, verified
11 by the department, and must meet all of the following:

12 (I) Are addressed in a forest practices application;

13 (II) Are adjacent to a commercially reasonable harvest area; and

14 (III) Have the potential to deliver sediment or debris to a
15 public resource or threaten public safety.

16 (d) "Small forestland owner" means a landowner meeting all of the
17 following characteristics:

18 (i) A forestland owner as defined in RCW 76.09.020 whose interest
19 in the land and timber is in fee or who has rights to the timber to
20 be included in the forestry riparian easement that extend at least 40
21 years from the date the completed forestry riparian easement
22 application associated with the easement is submitted;

23 (ii) An entity that has harvested from its own lands in this
24 state during the three years prior to the year of application an
25 average timber volume that would qualify the owner as a small
26 harvester under RCW 84.33.035; and

27 (iii) An entity that certifies at the time of application that it
28 does not expect to harvest from its own lands more than the volume
29 allowed by RCW 84.33.035 during the 10 years following application.
30 If a landowner's prior three-year average harvest exceeds the limit
31 of RCW 84.33.035, or the landowner expects to exceed this limit
32 during the 10 years following application, and that landowner
33 establishes to the department's reasonable satisfaction that the
34 harvest limits were or will be exceeded to raise funds to pay estate
35 taxes or equally compelling and unexpected obligations such as court-
36 ordered judgments or extraordinary medical expenses, the landowner
37 shall be deemed to be a small forestland owner. For purposes of
38 determining whether a person qualifies as a small forestland owner,
39 the small forestland owner office, created in RCW 76.13.110, shall
40 evaluate the landowner under this definition, pursuant to RCW

1 76.13.160, as of the date that the forest practices application is
2 submitted and the date that the department offers compensation for
3 the forestry riparian easement. A small forestland owner can include
4 an individual, partnership, corporation, or other nongovernmental
5 legal entity. If a landowner grants timber rights to another entity
6 for less than five years, the landowner may still qualify as a small
7 forestland owner under this section. If a landowner is unable to
8 obtain an approved forest practices application for timber harvest
9 for any of his or her land because of restrictions under the forest
10 practices rules, the landowner may still qualify as a small
11 forestland owner under this section.

12 (e) "Completion of harvest" means that the trees have been
13 commercially harvested from an area and that further entry into that
14 area by mechanized logging or slash treating equipment is not
15 expected.

16 (3) Nothing in the eligibility limit identified in subsection
17 (2)(c)(i) through (iii) of this section precludes inclusion of land
18 in future mitigation programs.

19 (4) The department is authorized and directed to accept and hold
20 in the name of the state of Washington forestry riparian easements
21 granted by qualifying small forestland owners covering qualifying
22 timber and to pay compensation to the landowners in accordance with
23 this section. The department may not transfer the easements to any
24 entity other than another state agency.

25 (5) Forestry riparian easements shall be effective for 40 years
26 from the date of the completed forestry riparian easement
27 application, unless the easement is voluntarily terminated earlier by
28 the department, based on a determination that termination is in the
29 best interest of the state, or under the terms of a termination
30 clause in the easement.

31 (6) Forestry riparian easements shall be restrictive of the
32 timber only, and shall preserve all lawful uses of the easement
33 premises by the landowner that are consistent with the terms of the
34 easement and the requirement to protect riparian functions during the
35 term of the easement, subject to the restriction that the leave trees
36 required by the rules to be left on the easement premises may not be
37 cut during the term of the easement. No right of public access to or
38 across, or any public use of the easement premises is created by this
39 statute or by the easement. Forestry riparian easements shall not be

1 deemed to trigger the compensating tax of or otherwise disqualify
2 land from being taxed under chapter 84.33 or 84.34 RCW.

3 (7) The small forestland owner office shall determine what
4 constitutes a completed application for a forestry riparian easement.
5 An application shall, at a minimum, include documentation of the
6 owner's status as a qualifying small forestland owner, identification
7 of location and the types of qualifying timber, and notification of
8 completion of harvest, if applicable.

9 (8) Upon receipt of the qualifying small forestland owner's
10 forestry riparian easement application, and subject to the
11 availability of amounts appropriated for this specific purpose, the
12 following must occur:

13 (a) The small forestland owner office must determine the
14 compensation to be offered to the qualifying small forestland owner
15 for qualifying timber after the department accepts the completed
16 forestry riparian easement application and the landowner has
17 completed marking the boundary of the area containing the qualifying
18 timber. The legislature recognizes that there is not readily
19 available market transaction evidence of value for easements of the
20 nature required by this section, and thus establishes the methodology
21 provided in this subsection to ascertain the value for forestry
22 riparian easements. Values so determined may not be considered
23 competent evidence of value for any other purpose.

24 (b) The small forestland owner office, subject to the
25 availability of amounts appropriated for this specific purpose, is
26 responsible for assessing the volume of qualifying timber. However,
27 no more than 50 percent of the total amounts appropriated for the
28 forestry riparian easement program may be applied to determine the
29 volume of qualifying timber for completed forestry riparian easement
30 applications. Based on the volume established by the small forestland
31 owner office and using data obtained or maintained by the department
32 of revenue under RCW 84.33.074 and 84.33.091, the small forestland
33 owner office shall attempt to determine the fair market value of the
34 qualifying timber as of the date of the completed harvest. To the
35 extent reasonably possible, the forestry riparian easement
36 applications should be processed in the order received. Removal of
37 any qualifying timber before the expiration of the easement must be
38 in accordance with the forest practices rules and the terms of the
39 easement. There shall be no reduction in compensation for reentry.

1 (9) (a) Subject to the availability of amounts appropriated for
2 this specific purpose, the small forestland owner office shall offer
3 compensation for qualifying timber to the qualifying small forestland
4 owner in the amount of 90 percent of the value determined by the
5 small forestland owner office, plus the compliance and reimbursement
6 costs as determined in accordance with RCW 76.13.140. However,
7 compensation for any qualifying small forestland owner for qualifying
8 timber located on potentially unstable slopes or landforms may not
9 exceed a total of \$150,000 during any biennial funding period.

10 (b) If the landowner accepts the offer for qualifying timber, the
11 department shall pay the compensation promptly upon:

12 (i) Completion of harvest in the area within a commercially
13 reasonable harvest unit with which the forestry riparian easement is
14 associated under an approved forest practices application, unless an
15 approved forest practices application for timber harvest cannot be
16 obtained because of restrictions under the forest practices rules;

17 (ii) Verification that the landowner has no outstanding
18 violations under chapter 76.09 RCW or any associated rules; and

19 (iii) Execution and delivery of the easement to the department.

20 (c) Upon donation or payment of compensation, the department may
21 record the easement.

22 (10) (a) The forest practices board shall adopt rules under the
23 administrative procedure act, chapter 34.05 RCW, to implement the
24 forestry riparian easement program, including the following:

25 (i) A standard version of a forestry riparian easement
26 application as well as all additional documents necessary or
27 advisable to create the forestry riparian easements as provided for
28 in this section;

29 (ii) Standards for descriptions of the easement premises with a
30 degree of precision that is reasonable in relation to the values
31 involved;

32 (iii) Methods and standards for cruises and valuation of forestry
33 riparian easements for purposes of establishing the compensation. The
34 department shall perform the timber cruises of forestry riparian
35 easements required under this chapter and chapter 76.09 RCW. Timber
36 cruises are subject to amounts appropriated for this purpose.
37 However, no more than 50 percent of the total appropriated funding
38 for the forestry riparian easement program may be applied to
39 determine the volume of qualifying timber for completed forestry
40 riparian easement applications. Any rules concerning the methods and

1 standards for valuations of forestry riparian easements shall apply
2 only to the department, qualifying small forestland owners, and the
3 small forestland owner office;

4 (iv) A method to determine that a forest practices application
5 involves a commercially reasonable harvest, and adopt criteria for
6 entering into a forestry riparian easement where a commercially
7 reasonable harvest is not possible or a forest practices application
8 that has been submitted cannot be approved because of restrictions
9 under the forest practices rules;

10 (v) A method to address blowdown of qualified timber falling
11 outside the easement premises;

12 (vi) A formula for sharing of proceeds in relation to the
13 acquisition of qualified timber covered by an easement through the
14 exercise or threats of eminent domain by a federal or state agency
15 with eminent domain authority, based on the present value of the
16 department's and the landowner's relative interests in the qualified
17 timber;

18 (vii) A method to determine timber that is qualifying timber
19 because it is rendered uneconomic to harvest by the rules adopted
20 under RCW 76.09.055 and 76.09.370;

21 (viii) A method for internal department review of small
22 forestland owner office compensation decisions under this section;
23 and

24 (ix) Consistent with RCW 76.13.180, a method to collect
25 reimbursement from landowners who received compensation for a
26 forestry riparian easement and who, within the first 10 years after
27 receipt of compensation for a forestry riparian easement, sells the
28 land on which an easement is located to a nonqualifying landowner.

29 (b) At least semiannually, the department shall consult with the
30 small forestland owner advisory committee established in RCW
31 76.13.110(4) to review landowner complaints, administrative
32 processes, rule recommendations, and related issues where the
33 department is actively seeking the small forestland owner advisory
34 committee's advice on potential improved efficiencies and
35 effectiveness.

36 (11) The legislature finds that the overall societal benefits of
37 economically viable working forests are multiple, and include the
38 protection of clean, cold water, the provision of wildlife habitat,
39 the sheltering of cultural resources from development, and the
40 natural carbon storage potential of growing trees. As such, working

1 forests and the forestry riparian easement program may be part of the
2 state's overall carbon sequestration strategy. If the state creates a
3 climate strategy, the department must share information regarding the
4 carbon sequestration benefits of the forestry riparian easement
5 program with other state programs using methods and protocols
6 established in the state climate strategy that attempt to quantify
7 carbon storage or account for carbon emissions. The department must
8 promote the expansion of funding for the forestry riparian easement
9 program and the ecosystem services supported by the program based on
10 the findings stated in RCW 76.13.100. Nothing in this subsection
11 allows a landowner to be reimbursed by the state more than once for
12 the same forest riparian easement application.

13 (12) It is the intent of the legislature that the small
14 forestland owner office complete forestry riparian easement program
15 application transactions within two years of the application receipt
16 consistent with the goals of (~~RCW 70A.65.270(2)(b)(iii)~~) section
17 2(1)(n)(iii) of this act.

18 **Sec. 16.** RCW 70A.65.240 and 2022 c 182 s 101 are each amended to
19 read as follows:

20 (1) The (~~carbon emissions reduction~~) climate commitment act
21 transportation account is created in the state treasury. Moneys in
22 the account may be spent only after appropriation. Expenditures from
23 the account are intended to affect reductions in transportation
24 sector carbon emissions through a variety of carbon reducing
25 investments. These can include, but are not limited to:
26 Transportation alternatives to single occupancy passenger vehicles;
27 reductions in single occupancy passenger vehicle miles traveled;
28 reductions in per mile emissions in vehicles, including through the
29 funding of alternative fuel infrastructure and incentive programs;
30 and emission reduction programs for freight transportation, including
31 motor vehicles and rail, as well as for ferries and other maritime
32 and port activities. Expenditures from the account may only be made
33 for transportation carbon emission reducing purposes and may not be
34 made for highway purposes authorized under the 18th Amendment of the
35 Washington state Constitution, other than specified in this section,
36 and shall be made in accordance with subsection (2) of this section.
37 It is the legislature's intent that expenditures from the account
38 used to reduce carbon emissions be made with the goal of achieving

1 equity for communities that historically have been omitted or
2 adversely impacted by past transportation policies and practices.

3 (2) Appropriations in an omnibus transportation appropriations
4 act from the (~~(carbon emissions reduction)~~) climate commitment act
5 transportation account shall be made exclusively to fund the
6 following activities:

- 7 (a) Active transportation;
- 8 (b) Transit programs and projects;
- 9 (c) Alternative fuel and electrification;
- 10 (d) Ferries; and
- 11 (e) Rail.

12 **Sec. 17.** RCW 70A.65.302 and 2025 c 417 s 814 are each amended to
13 read as follows:

14 (1) State agencies that receive or have received appropriations
15 from the (~~(carbon emissions reduction)~~) climate commitment act
16 transportation account in an omnibus transportation appropriations
17 act are required to report information to estimate emission
18 reductions from fuel conversion activities funded from these
19 appropriations to the legislature, as well as any requested
20 information necessary for the estimation and analysis of projected
21 and realized emission reductions, using the reporting tool developed
22 by the joint transportation committee in accordance with section
23 204(7), chapter 472, Laws of 2023 in a form and manner prescribed by
24 the joint transportation committee.

25 (2) Reports must include initial reporting of projected emission
26 reductions at the time of expenditure and continued reporting of
27 factors to be used to calculate estimated realized emission
28 reductions in subsequent years.

29 (3) The reporting requirement in this section is in addition to
30 the reporting requirements of RCW 70A.65.300.

31 (4) For purposes of this section, "fuel conversion" means the
32 purchase of zero emission or hybrid electric vehicles, vessels, or
33 off-road equipment and the charging or fueling infrastructure needed
34 to support zero emission or hybrid electric vehicles or vessels.

35 **Sec. 18.** RCW 70A.535.180 and 2025 c 319 s 3 are each amended to
36 read as follows:

37 (1)(a) All regulated parties and credit generators are required
38 to submit reports under RCW 70A.535.070 in a timely manner to meet

1 the entities' compliance obligations and shall comply with all
2 requirements for recordkeeping, reporting, transacting credits,
3 obtaining a carbon intensity calculation, and other provisions of
4 this chapter.

5 (b) The department may issue a corrective action order to a
6 person that does not comply with a requirement of this chapter.

7 (2) Each deficit for which a registered party does not retire a
8 corresponding credit at the end of a compliance period constitutes a
9 separate violation of this chapter unless that registered party
10 participates in the credit clearance market as required under RCW
11 70A.535.030(8). For each violation, the department may issue a
12 penalty of up to four times the maximum posted price of the most
13 recent credit clearance market.

14 (3) The department may issue a penalty for any misreporting by a
15 party that results in the claim of credits that does not meet the
16 requirements of this chapter or the failure to report a deficit. The
17 penalty issued under this subsection may be up to \$1,000 per credit
18 or deficit in violation of the requirements of this chapter. A
19 registered party may not be penalized under this subsection if any
20 misreporting in a quarterly report is corrected by the end of that
21 quarter's reporting period.

22 (4) The department may issue a penalty of up to \$10,000 per day
23 each day a registered party does not submit a report under RCW
24 70A.535.070 by the reporting deadline.

25 (5) The department may issue a penalty for credits generated in
26 exceedance of a carbon intensity standard adopted by the department
27 for that year of up to \$1,000 per credit for each illegitimate credit
28 generated as a result of the incorrect carbon intensity score.

29 (6) The department may issue a penalty of up to \$25,000 per month
30 that a regulated party is not registered with the department in
31 violation of RCW 70A.535.070.

32 (7) The department may issue to any participating electric
33 utility a penalty of up to four times the credit revenue improperly
34 spent in violation of RCW 70A.535.080 or rules adopted to implement
35 that section.

36 (8) The department may issue a penalty of up to \$50,000 or
37 \$10,000 per day for a violation of the third-party verification
38 requirements adopted by the department under RCW 70A.535.030(3)(c)
39 for as long as the registered party remains out of compliance with
40 these requirements. However, the department shall not issue a penalty

1 to a registered party for a violation of third-party verification
2 requirements that the registered party demonstrates to the department
3 was due to an error made by the third-party verifier.

4 (9) For violations other than those described in subsections (2)
5 through (8) of this section, the department may issue a penalty of up
6 to \$10,000 per day per violation for each day any registered party
7 violates the terms of this chapter or an order issued under this
8 chapter.

9 (10) An electric utility must notify its retail customers in
10 published form within three months of paying a monetary penalty under
11 this section.

12 (11) Penalties and orders issued under this section may be
13 appealed to the pollution control hearings board created in chapter
14 43.21B RCW. Penalties collected under this chapter must be deposited
15 in the ((~~carbon emissions reduction~~)) climate commitment act
16 transportation account created in RCW 70A.65.240.

17 **Sec. 19.** RCW 82.08.994 and 2025 c 417 s 809 are each amended to
18 read as follows:

19 (1) The tax levied by RCW 82.08.020 does not apply to sales of
20 zero emission buses purchased by:

21 (a) A transit agency; or

22 (b) A federally recognized Indian tribe to provide public
23 transportation services.

24 (2) Sellers may make tax exempt sales under this section only if
25 the buyer provides the seller with an exemption certificate in a form
26 and manner prescribed by the department. The seller must retain a
27 copy of the certificate for the seller's files.

28 (3) For the purposes of this section:

29 (a) "Transit agency" means a city-owned transit system, county
30 transportation authority, metropolitan municipal corporation, public
31 transportation benefit area, unincorporated transportation benefit
32 area, or regional transit authority.

33 (b) "Zero emission bus" means a bus that emits no exhaust gas
34 from the onboard source of power, other than water vapor.

35 (4) On the last day of February, May, August, and November of
36 each year, the state treasurer, based upon information provided by
37 the department, must transfer from the ((~~carbon emissions reduction~~))
38 climate commitment act transportation account to the general fund a
39 sum equal to the dollar amount that would otherwise have been

1 deposited into the general fund during the prior calendar quarter but
2 for the exemption provided in this section and RCW 82.12.994.
3 Information provided by the department to the state treasurer must be
4 based on the best available data, except that the department may
5 provide estimates of taxes exempted under this section until such
6 time as retailers are able to report such exempted amounts on their
7 tax returns.

8 (5) (a) The department must provide notification on its website
9 monthly of the amount in exemptions issued and the amount remaining
10 under this section and RCW 82.12.994 before the limit described in
11 (b) of this subsection has been reached, and, once that limit has
12 been reached, the date the exemption expires pursuant to (b) of this
13 subsection.

14 (b) The exemption under this section expires after the last day
15 of the calendar month immediately following the month the department
16 determines the total amount of state sales and use tax exemptions
17 issued under this section and RCW 82.12.994 reaches or exceeds
18 \$14,000,000.

19 (6) By July 1, 2026, and every six months thereafter until the
20 exemptions in this section and RCW 82.12.994 expire, based on the
21 best available data, the department must report the following
22 information to the transportation committees of the legislature:

23 (a) The cumulative number of vehicles that qualified for the
24 exemption under this section and RCW 82.12.994 by month of purchase
25 and vehicle make and model; and

26 (b) The dollar amount of all state retail sales and use taxes
27 exempted under this section and RCW 82.12.994, by fiscal year.

28 **Sec. 20.** RCW 82.17.030 and 2025 c 419 s 4 are each amended to
29 read as follows:

30 (1) Beginning May 20, 2025, for purposes of model year 2024
31 program implementation, an excise tax is imposed on the banking and
32 sale of surplus ZEV credits as verified by the department of ecology
33 for each model year. The excise tax imposed under this section does
34 not apply to pooled surplus ZEV credits.

35 (a) For a ZEV credit sold to another manufacturer, the amount of
36 the tax with respect to such sale is equal to the credit sales price
37 reported under RCW 82.17.020 multiplied by a rate of two percent.

38 (b) For a ZEV credit banked by a manufacturer, and thus
39 considered sold under this chapter, the amount of tax with respect to

1 the privilege of holding a banked ZEV credit for use in a future
2 model year is equal to the average ZEV credit price calculated by the
3 department under subsection (3) of this section, multiplied by the
4 rate of 10 percent. For purposes of the tax imposed under this
5 chapter, a banked ZEV credit held at the start of the next model year
6 is considered sold.

7 (2) For each year of zero-emission vehicle program implementation
8 that a ZEV credit is banked or continues to be banked, the
9 manufacturer must pay the tax specified in subsection (1)(b) of this
10 section. The tax in subsection (1)(b) of this section applies to
11 banked credits that were generated prior to model year 2024 that
12 continue to be banked during implementation of the program for
13 purposes of model year 2024 or subsequent model years.

14 (3) Based on the ZEV credit sales prices reported to the
15 department under RCW 82.17.020:

16 (a) For each model year, the department must calculate the
17 average ZEV credit price and share this information with the
18 department of ecology for publication. The average ZEV credit price
19 for a model year must be calculated by aggregating the reported sales
20 prices of ZEV credits under RCW 82.17.020 by all manufacturers that
21 reported transactions for the model year. If there were no
22 transactions of ZEV credits reported to the department for a specific
23 model year, the department must apply the average ZEV credit price
24 for the most recent model year for which such data are available for
25 purposes of that specific model year.

26 (b) Beginning November 1, 2026, and each year thereafter, the
27 department must calculate the amount of the tax by each manufacturer
28 due under this section. The department must notify the manufacturer
29 of their tax liability for the most recent reporting year no later
30 than January 31st of the immediately following calendar year, except
31 that the department may notify the manufacturer of their tax
32 liability for both model year 2024 and model year 2025 no later than
33 January 31, 2027.

34 (c) Once the average ZEV credit price has been calculated and is
35 published to the department of ecology's website, the amount is
36 considered final and cannot be altered based on amended information
37 received by the department from the department of ecology or a
38 participating manufacturer.

1 (4) Penalties and interest under chapter 82.32 RCW will apply to
2 any tax liability not paid by the due date of the notice of tax
3 liability under subsection (3) of this section.

4 (5) The proceeds from the tax imposed under this chapter must be
5 deposited as follows:

6 (a) 30 percent to the electric vehicle incentive account created
7 in RCW 43.330.365;

8 (b) (i) Until June 30, 2027, 70 percent to the state general fund;
9 and

10 (ii) Beginning July 1, 2027, 70 percent to the (~~carbon emissions~~
11 ~~reduction~~) climate commitment act transportation account created in
12 RCW 70A.65.240.

13 NEW SECTION. **Sec. 21.** The following acts or parts of acts are
14 each repealed:

15 (1) RCW 70A.65.250 (Climate investment account) and 2025 c 424 s
16 973 & 2024 c 376 s 911;

17 (2) RCW 70A.65.260 (Climate commitment account) and 2025 c 424 s
18 974, 2023 c 475 s 939, 2022 c 179 s 17, & 2021 c 316 s 29; and

19 (3) RCW 70A.65.270 (Natural climate solutions account) and 2021 c
20 316 s 30.

21 NEW SECTION. **Sec. 22.** This act takes effect July 1, 2027.

Passed by the House March 11, 2026.

Passed by the Senate March 6, 2026.

Approved by the Governor March 25, 2026.

Filed in Office of Secretary of State March 25, 2026.

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