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**HOUSE BILL 1324**

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**State of Washington**

**69th Legislature**

**2025 Regular Session**

**By** Representatives Barkis, Low, Schmidt, Griffey, Couture, Graham, Ley, Volz, Marshall, Walsh, Penner, Keaton, Klicker, Orcutt, Stuebe, Dent, Connors, Abbarno, Abell, Jacobsen, Caldier, Barnard, and Engell

Read first time 01/16/25. Referred to Committee on Transportation.

1 AN ACT Relating to funding the state transportation system using  
2 climate commitment act revenues; amending RCW 70A.65.100, 70A.65.240,  
3 and 70A.65.250; adding a new section to chapter 70A.65 RCW; creating  
4 a new section; providing an effective date; and declaring an  
5 emergency.

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

7 NEW SECTION. **Sec. 1.** It is the intent of the legislature to  
8 ensure Washington's transportation infrastructure can support the  
9 safe and efficient movement of people and goods. The legislature  
10 finds that people were told that a repeal of the climate commitment  
11 act would devastate transportation and infrastructure programs,  
12 putting major road and bridge projects at risk of delay or even  
13 cancellation. Yet, the climate commitment act prohibits the use of  
14 auction revenues for funding major road and bridge projects. The  
15 legislature recognizes that public transit and zero emissions  
16 vehicles travel on roads. Congestion on the highway system increases  
17 greenhouse gas emissions, instead of reducing them. Therefore, the  
18 legislature finds to respect the will of the voters and honor  
19 statements made to the people, climate commitment act revenues are  
20 appropriately used for road and bridge projects.

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

3        Revenues derived under this act must be used on major highway  
4    projects and bridge replacements including, but not limited to,  
5    funding to replace the Interstate 5 bridge over the Columbia river;  
6    finish the US 395 North Spokane corridor; finish the state route  
7    number 520 bridge; and the Gateway freight project connecting state  
8    route number 509 and state route number 167 to the ports in Pierce  
9    county and King county to help move freight and reduce congestion.

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

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

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

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

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

37        (4)    Auctions are open to covered entities, opt-in entities, and  
38    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 of  
38 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:

21 (i) \$366,558,000 must first be deposited into the carbon  
22 emissions reduction account created in RCW 70A.65.240, except that  
23 during fiscal year 2025, the deposit as provided in this subsection  
24 (7)(c)(i) may be prorated equally across each of the auctions  
25 occurring in fiscal year 2025; ~~((and))~~

26 (ii) ~~((the))~~ The remaining auction proceeds to the climate  
27 investment account created in RCW 70A.65.250 and the air quality and  
28 health disparities improvement account created in RCW 70A.65.280,  
29 which may be prorated equally across each of the auctions occurring  
30 in fiscal year 2025; and

31 (iii) The legislature intends to transfer funding in fiscal year  
32 2025 from one or more climate commitment act accounts to the  
33 multimodal transportation account created in RCW 47.66.070.

34 (d) For fiscal years 2026 through 2037, upon completion and  
35 verification of the auction results, the financial services  
36 administrator shall notify winning bidders and transfer the auction  
37 proceeds to the state treasurer for deposit as follows: (i)  
38 \$359,117,000 per year must first be deposited into the carbon  
39 emissions reduction account created in RCW 70A.65.240; and (ii) the  
40 remaining auction proceeds to the climate investment account created

1 in RCW 70A.65.250 and the air quality and health disparities  
2 improvement account created in RCW 70A.65.280.

3 ~~(e) ((The deposits into the carbon emissions reduction account~~  
4 ~~pursuant to (a) through (d) of this subsection must not exceed~~  
5 ~~\$5,200,000,000 over the first 16 fiscal years and any remaining~~  
6 ~~auction proceeds must be deposited into the climate investment~~  
7 ~~account created in RCW 70A.65.250 and the air quality and health~~  
8 ~~disparities improvement account created in RCW 70A.65.280.)) In each~~  
9 ~~fiscal year during fiscal years 2026 through 2037, the office of~~  
10 ~~financial management must determine the total amount of auction~~  
11 ~~proceeds that are obligated by legislative appropriation or the~~  
12 ~~deposits into the carbon emissions reduction account under this~~  
13 ~~section, and prorate this obligated amount among the auctions in each~~  
14 ~~fiscal year as appropriate. Following each auction, the office of~~  
15 ~~financial management must determine the amount of additional auction~~  
16 ~~proceeds that exceed the obligated amount in this subsection, if any,~~  
17 ~~and direct the state treasurer to transfer 50 percent of these~~  
18 ~~additional auction proceeds from one or more climate commitment act~~  
19 ~~accounts with available funds into the multimodal transportation~~  
20 ~~account created in RCW 47.66.070.~~

21 (f) For fiscal year 2038 and each year thereafter, upon  
22 completion and verification of the auction results, the financial  
23 services administrator shall notify winning bidders and transfer the  
24 auction proceeds to the state treasurer for deposit as follows: (i)  
25 50 percent of the auction proceeds to the carbon emissions reduction  
26 account created in RCW 70A.65.240; and (ii) the remaining auction  
27 proceeds to the climate investment account created in RCW 70A.65.250  
28 and the air quality and health disparities improvement account  
29 created in RCW 70A.65.280.

30 (8) The department shall adopt by rule provisions to guard  
31 against bidder collusion and minimize the potential for market  
32 manipulation. A registered entity may not release or disclose any  
33 bidding information including: Intent to participate or refrain from  
34 participation; auction approval status; intent to bid; bidding  
35 strategy; bid price or bid quantity; or information on the bid  
36 guarantee provided to the financial services administrator. The  
37 department may cancel or restrict a previously approved auction  
38 participation application or reject a new application if the  
39 department determines that a registered entity has:

40 (a) Provided false or misleading facts;

1 (b) Withheld material information that could influence a decision  
2 by the department;

3 (c) Violated any part of the auction rules;

4 (d) Violated registration requirements; or

5 (e) Violated any of the rules regarding the conduct of the  
6 auction.

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

9 (a) Bidding information as identified in subsection (8) of this  
10 section;

11 (b) Information contained in the secure, online electronic  
12 tracking system established by the department pursuant to RCW  
13 70A.65.090(6);

14 (c) Financial, proprietary, and other market sensitive  
15 information as determined by the department that is submitted to the  
16 department pursuant to this chapter;

17 (d) Financial, proprietary, and other market sensitive  
18 information as determined by the department that is submitted to the  
19 independent contractor or the financial services administrator  
20 engaged by the department pursuant to subsection (3) of this section;  
21 and

22 (e) Financial, proprietary, and other market sensitive  
23 information as determined by the department that is submitted to a  
24 jurisdiction with which the department has entered into a linkage  
25 agreement pursuant to RCW 70A.65.210, and which is shared with the  
26 department, the independent contractor, or the financial services  
27 administrator pursuant to a linkage agreement.

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

34 (11) The department shall design allowance auctions so as to  
35 allow, to the maximum extent practicable, linking with external  
36 greenhouse gas emissions trading programs in other jurisdictions and  
37 to facilitate the transfer of allowances when the state's program has  
38 entered into a linkage agreement with other external greenhouse gas  
39 emissions trading programs. The department may conduct auctions  
40 jointly with linked jurisdictions.

1 (12) In setting the number of allowances offered at each auction,  
2 the department shall consider the allowances in the marketplace due  
3 to the marketing of allowances issued as required under RCW  
4 70A.65.110, 70A.65.120, and 70A.65.130 in the department's  
5 determination of the number of allowances to be offered at auction.  
6 The department shall offer only such number of allowances at each  
7 auction as will enhance the likelihood of achieving the goals of RCW  
8 70A.45.020.

9 **Sec. 4.** RCW 70A.65.240 and 2022 c 182 s 101 are each amended to  
10 read as follows:

11 (1) The carbon emissions reduction account is created in the  
12 state treasury. Moneys in the account may be spent only after  
13 appropriation. Expenditures from the account are intended to affect  
14 reductions in transportation sector carbon emissions through a  
15 variety of carbon reducing investments. These can include, but are  
16 not limited to: Transportation alternatives to single occupancy  
17 passenger vehicles; reductions in single occupancy passenger vehicle  
18 miles traveled; reductions in per mile emissions in vehicles,  
19 including through the funding of alternative fuel infrastructure and  
20 incentive programs; projects that reduce congestion on roadways; and  
21 emission reduction programs for freight transportation, including  
22 motor vehicles and rail, as well as for ferries and other maritime  
23 and port activities. Expenditures from the account (~~may only be made~~  
24 ~~for transportation carbon emission reducing purposes and may not be~~  
25 ~~made for highway purposes authorized under the 18th Amendment of the~~  
26 ~~Washington state Constitution, other than specified in this section,~~  
27 ~~and~~) shall be made in accordance with subsection (2) of this  
28 section. It is the legislature's intent that expenditures from the  
29 account used to reduce carbon emissions be made with the goal of  
30 achieving equity for communities that historically have been omitted  
31 or adversely impacted by past transportation policies and practices.

32 (2) Appropriations in an omnibus transportation appropriations  
33 act from the carbon emissions reduction account shall be made  
34 exclusively to fund the following activities:

35 (a) Maintenance, repairs, improvements, and replacement of  
36 highways and transportation routes, favoring bridges used by active  
37 transportation and transit users;

38 (b) Active transportation;

39 ~~((b))~~ (c) Transit programs and projects;

1       (~~(e)~~) (d) Alternative fuel and electrification;  
2       (~~(d)~~) (e) Ferries; and  
3       (~~(e)~~) (f) Rail.

4       **Sec. 5.** RCW 70A.65.250 and 2024 c 376 s 911 are each amended to  
5 read as follows:

6       (1)(a) The climate investment account is created in the state  
7 treasury. Except as otherwise provided in RCW 70.65.100 and 70.65.240  
8 and chapter 316, Laws of 2021, (~~(all)~~) receipts from the auction of  
9 allowances authorized in this chapter must be deposited into the  
10 account. Moneys in the account may be spent only after appropriation.

11       (b) Projects or activities funded from the account must meet high  
12 labor standards, including family sustaining wages, providing  
13 benefits including health care and employer-contributed retirement  
14 plans, career development opportunities, and maximize access to  
15 economic benefits from such projects for local workers and diverse  
16 businesses. Each contracting entity's proposal must be reviewed for  
17 equity and opportunity improvement efforts, including: (i) Employer  
18 paid sick leave programs; (ii) pay practices in relation to living  
19 wage indicators such as the federal poverty level; (iii) efforts to  
20 evaluate pay equity based on gender identity, race, and other  
21 protected status under Washington law; (iv) facilitating career  
22 development opportunities, such as apprenticeship programs,  
23 internships, job-shadowing, and on-the-job training; and (v)  
24 employment assistance and employment barriers for justice affected  
25 individuals.

26       (2) Moneys in the account may be used only for projects and  
27 programs that achieve the purposes of the greenhouse gas emissions  
28 cap and invest program established under this chapter and for tribal  
29 capacity grants under RCW 70A.65.305. During the 2023-2025 fiscal  
30 biennium, moneys in the account may also be used for tribal capacity  
31 grant activities supporting climate resilience and adaptation,  
32 developing tribal clean energy projects, applying for state or  
33 federal grant funding, and other related work; and for providing  
34 payments to agricultural fuel purchasers. Moneys in the account as  
35 described in this subsection must first be appropriated for the  
36 administration of the requirements of this chapter, in an amount not  
37 to exceed five percent of the total receipt of funds from allowance  
38 auction proceeds under this chapter. Beginning July 1, 2023, and  
39 annually thereafter, the state treasurer shall distribute funds in



1 the account that exceed the amounts appropriated for the purposes of  
2 this subsection (2) as follows:

3 (a) Seventy-five percent of the moneys to the climate commitment  
4 account created in RCW 70A.65.260; and

5 (b) Twenty-five percent of the moneys to the natural climate  
6 solutions account created in RCW 70A.65.270.

7 (3) The allocations specified in subsection (2)(a) and (b) of  
8 this section must be reviewed by the legislature on a biennial basis  
9 based on the changing needs of the state in meeting its clean economy  
10 and greenhouse gas reduction goals in a timely, economically  
11 advantageous, and equitable manner.

12 (4) During the 2023-2025 fiscal biennium, the legislature may  
13 direct the state treasurer to make transfers of moneys in the climate  
14 investment account to the carbon emissions reduction account, the  
15 climate commitment account, and the natural climate solutions  
16 account.

17 NEW SECTION. **Sec. 6.** This act is necessary for the immediate  
18 preservation of the public peace, health, or safety, or support of  
19 the state government and its existing public institutions, and takes  
20 effect July 1, 2025.

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