WASHINGTON **STRONG** → FAQs

How does this bond proposal address the state's current financial situation?

By issuing a green recovery bond and investing it in resilient infrastructure, we can quickly create tens of thousands of stable, family-wage jobs and jumpstart local spending. Bonding against the projected revenues of a price on carbon pollution would yield billions of dollars - money that we need to invest in communities now for a successful economic recovery. This new revenue source creates much-needed additional capacity for our strained budgets, and the bond certification ensures that investments made through this proposal will deliver maximum returns in the near and short terms.

Is this bond subject to Washington's deficit spending limits?

No. These are **certified green**, special tax obligation bonds (a type of revenue bond). The "green" certification guardrails apply to the entire revenue stream and prevent this revenue from becoming General State Revenue or part of the General Fund, so it is not subject to the 9% debt limit. This is much-needed additional financing capacity dedicated specifically to meeting our climate goals by building the clean economy here in WA with a robust, middle-class workforce and incentives for innovation that make WA more competitive. This funding source is protected for climate mitigation and adaptation investments that meet science-based criteria.

What are the investment criteria?

Legislators are working with the Washington State Academy of Sciences, state agencies, bond counsel, and the environmental justice community to develop them. Investments must have measurable climate benefits, create good jobs, and spur economic growth. A resilient economy requires investment at scale in both mitigation and adaptation. Many investments offer both, and those same investments create **high-quality jobs and increase economic activity** long after the recovery.

Why can't we make these investments on a cash-flow basis?

From the World Bank to the The Nature Conservancy to local governments, experts are in unanimous agreement that we cannot effectively address the climate crisis on a cash-flow basis. It provides neither the speed nor the scale required to safeguard our communities and our economy. We need to think big and act quickly. Innovative climate finance is required, and Washington can lead the way. Our leaders must say no to business as usual and short-term thinking by establishing a bondable revenue source now to finance a clean and prosperous future for all Washingtonians. **Climate policy is economic policy.**

Is issuing more debt the same as racking up a big credit card bill/living outside our means?

No. Municipal debt is not like private debt. It's a fiscally sound, **budgetary tool** to meet public obligations and economic needs at the scale required of a government. And when it is directed by clear guardrails and market data, it can be deployed to deliver enormous returns as well as save taxpayer money. We know that a failure to act now on either our climate or our economic recovery will cost Washingtonians more money down the road. This is smart investing - for every $1 we invest now, we save an average of $6 in the future!

Do we really need more funding for capital projects?

Yes. There are dire funding needs in transportation, affordable housing, natural resources, and other areas of state and local budgets that could benefit from this program immediately. From forest health to clean transportation to broadband, communities across the state are in need of this funding. Local governments from Clallam to Chelan have developed climate action plans to protect local property, critical facilities, public health, community safety, and industry, but they lack sufficient funding. In addition to addressing existing deficiencies and shortfalls, establishing this revenue source as a dedicated, bondable stream will enable the development of additional projects and effectively redirect future investment toward development that propels us toward our clean economy goals. This is a critical opportunity to incentivize low-carbon and climate-resilient projects across all areas of Washington infrastructure and development.

What about the operating budget?

While this plan leverages existing processes and systems and prioritizes efficiency over additional bureaucracy, there are operating expenses associated with our clean economy goals. Those costs could be covered by this revenue program, to the extent that they meet the investment criteria.

Is a special tax obligation bond more costly than a general obligation bond?

Generally speaking, yes, but to varying degrees depending on the issuer, the market, and the bond structure - all of which are currently very favorable for Washington to implement this program. Green certification can help minimize the cost to the state by capitalizing on record-high demand. Demand for green bonds continues to outpace issuance, and this translates to record-low costs. The state has many options and tools at its disposal to structure the bonds in ways that minimize the cost. Plus, we know that failing to act at the speed and scale required will be far more costly than making smart investments now.

How does this protect WA households from bearing the burden?

Legislators are working to determine the best vehicle for economic relief for households and considering options like the Working Family Tax Rebate. Current estimates indicate the need for approximately $200 per household for one million households that fall into the annual income bracket of $50,000 or less. In addition to considering direct relief, the program focuses on investments that maximize job creation and local spending, require worker protections and community investment, generate cost savings for all taxpayers, and boost local tax revenues for critical services.

How does this plan save taxpayer money?

Any plan for economic recovery must not only jumpstart economic activity in the near-term, but also safeguard our communities and industries for the long-term. Investing in the clean energy economy does that. Every $1 invested in resilience now saves an average of $6 in costs down the road in the form of property damage, economic disruption, and public health. In the face of increasing wildfires, flooding, droughts, and sea-level rise, that quickly adds up to billions of dollars in savings. A failure to invest in these things now only ensures that WA will pay more later. In addition, many of these investments are eligible for significant federal match, so we can bring WA taxpayer dollars back home and invest them in our communities.

How does this address environmental injustice and historical disinvestment?
Investments will be prioritized by the HEAL Act, the WA State Health Disparities Map, recommendations from the Environmental Justice Task Force, and emerging socioeconomic data from the coronavirus crisis, which is both further exposing and multiplying the need in frontline communities and communities of color. In addition, we can build on the successful integration of community workforce agreements and project labor agreements that the state included in its landmark 100% clean energy bill by leveraging community benefits agreements that ensure the greatest returns to local economies.

How many jobs could this create?
That's difficult to say until specific investments are outlined. However, a **recent study** by the Low Carbon Prosperity Institute and ClimateXchange found that low-carbon infrastructure projects in Washington have more than double the job-creation potential of our ten largest industries. That adds up pretty quickly to upwards of 100,000 middle-income, mostly union jobs - all across the state.

How would this help preserve our natural resources and bolster working lands?
From healthy forests to low-carbon agriculture, our working lands are in need of protection and investment at scale in order to protect WA communities and industries. Washington STRONG mobilizes the capital needed to invest in innovation and management practices that increase resilience, decrease emissions, and ensure that Washington stays competitive in changing markets. Emissions reduction and sequestration both play key roles in our clean economy goals, and our working lands are critical to meeting them.

How would this help us meet our GHG reduction goals?
A price on carbon sends an important market signal about the costs of pollution, but we need to strike the right balance between increasing the cost of pollution and investing quickly and meaningfully in low-carbon innovation and economic growth. This proposal accomplishes that through science-based investment criteria and green certification. In addition, carbon taxes can offer a high degree of certainty in regards to emissions reductions if they include a cap or emissions assurance mechanism, as this proposal does. This combination of speed, scale, and accountability is critical to meeting our GHG reduction goals in a timeframe that protects our communities and our economy.

How much revenue could this bring in and how quickly?
We are working with agencies and staff to determine how quickly the program could be set up. Because a carbon tax is far from new to our legislature and agencies, much work has already been done in this regard and the basic reporting and infrastructure are already in place. Bond issuances can commence at the discretion of the State Finance Committee and in accordance with investor confidence. A conservative analysis conducted by a leading global financial institution demonstrates capacity for more than $16 billion available for direct investment over the first ten years.

How would this benefit local communities?
Investing in low-carbon projects and infrastructure at the local level - from energy efficiency and air quality upgrades in our schools, to wastewater treatment facilities that generate their own bioenergy - meets

critical service delivery needs and stimulates local economies. And best of all, it improves community well-being and quality of life by creating healthier, more livable neighborhoods. This program would direct much-needed capital to local priorities, and these investments would jumpstart local economies with high-quality, **family-wage jobs and increased local spending.**

Has this been done before?

While there is no current US example of a revenue bond backed by a price on carbon, revenue bonds are a common fiscal tool. While the principal source of debt financing in Washington state is general obligation bonds, state and local governments regularly use revenue bonds to make investments in public works projects like bridges, sewer systems, and schools. Washington issued a series of **green bonds** in 2016 to finance energy efficiency, clean water, and habitat priorities across the state, and green bonds are an increasingly popular investment product around the globe. The green bond market is currently experiencing record-high demand and historically low costs, and that trend is expected to continue as demand for these investment products continues to exceed issuances. This is the future of finance, and Washington can lead by making it clear that **climate policy is economic policy.**