

Washington Federal Funding Roadmap Project

Phase I Executive Summary

Prepared for The Office of the Governor

by The Caspian Group, LLC

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EXECUTIVE SUMMARY

A Roadmap to maximize federal funding for climate, equity, and related goals

This report, prepared for the Office of the Governor, presents the results of Phase 1 of the Federal Funding Roadmap Project.

This project will help the state access the unprecedented amount of federal funding available to achieve Washington’s climate, natural resource protection, workforce development, sustainable economic development, and equity goals. The roadmap project is intended to guide actions that position state government and other entities in Washington to successfully acquire and deploy federal funds – leveraging available state funds - to achieve state goals.

Phase 1 consisted of 1) **research** into federal funding opportunities included in the Infrastructure Investment and Jobs Act (IIJA), the Inflation Reduction Act (IRA), and Creating Helpful Incentives to Produce Semiconductors and Science Act (CHIPS), 2) an **assessment of needs, gaps, and strengths** in the state’s current approach to acquiring funding from these programs, and 3) engagement with state agencies to develop an initial set of **priority funding opportunities** and associated resource needs.

Findings and recommendations from Phase 1 include:

- an initial prioritization of federal funding opportunities,
- improvements to internal systems and organizational infrastructure,
- state assistance to external stakeholders, and
- funding to be included in the Governor’s ’24 Supplemental Budget.

These findings and recommendations are summarized below.

GOAL

To develop a **cohesive, strategic approach** to acquire and deploy resources through improved coordination, timely decision-making, along with the necessary staffing, matching funds, processes, and systems

Roadmap Phase 1 – Summary findings and recommendations

PRIORITY FEDERAL FUNDING OPPORTUNITIES

The IIJA, IRA, and CHIPS Act are comprised of **535 separate funding opportunities totaling over \$1.5 trillion** designed to accelerate economy-wide decarbonization, advance equity and environmental justice, improve sustainable economic competitiveness, and protect the nation’s natural resources. Funding is available to states, local governments, Tribes, non-profit organizations, the private sector, and consumers via competitive and formula grants, cooperative agreements, loan programs, incentives, tax credits, and direct federal spending.

As an initial step to inform and guide state efforts to capitalize on these unprecedented resources, state agencies identified **85 high and 49 medium priority funding opportunities**, with 34 to be further evaluated. The consultant team identified an additional 47 programs for consideration. With limited capacity, there is more work for agencies to do to assess and prioritize these opportunities which collectively represent billions in potential funding to help Washington achieve its 2030 emission reduction targets, increase resiliency in the face of climate change, provide benefits of the clean energy transition to overburdened communities and Tribes, spur investment in the clean energy economy, create thousands of jobs, and develop the workforce needed to fill those jobs.

The initial WA list of high priority opportunities alone equal **\$231.2B nationwide representing approximately 16% of all federal funding available**. Using a rough estimate based on per capita allocation **WA could access roughly \$5.4B** from these priority programs.

Roadmap Phase 1 – Summary findings and recommendations

PRIORITY FEDERAL FUNDING OPPORTUNITIES

Priorities include:

- **Tax incentives, loans, and grants to invest in clean energy generation, alternative fuels, new transmission facilities, and other technologies essential for the transition.** These include the \$20 billion National Clean Investment Fund and Clean Communities Investment Accelerator (creating a Green Bank lending program) and uncapped funding accessible through Direct Pay provisions. These provisions enable tax-exempt and governmental entities – including states, local governments, Tribes, and nonprofits - to receive payments for the full value of tax credits for qualifying clean energy projects including efficiency upgrades.
- **Rebates and tax credits** for consumers and organizations to purchase electric vehicles, heat pumps, other electrified appliances, and to fund energy efficiency and building decarbonization projects.
- **Dedicated funding for Tribes**, including the Tribal Electrification, the Tribal Energy Loan Guarantee, and the Tribal Climate Resilience programs.
- **Programs to support overburdened and underserved communities**, including Solar for All, Environmental & Climate Justice Block Grants, the Rural Energy for America Program, as well as the Justice 40 provisions in the IRA and IIJA requiring that 40% of federal funding directly benefit those communities.
- **Funding for resilience**, including the Investing in Coastal Communities & Climate Resilience and Building Resilient Infrastructure and Communities programs.
- **Funding for alternative, clean transportation** including the Neighborhood Access & Equity Grant Program, Charging & Fueling Infrastructure Grants, and the Active Transportation Infrastructure Investment Program.

Roadmap Phase 1 – Summary findings and recommendations

PRIORITY FEDERAL FUNDING OPPORTUNITIES, CONT.

Washington has many of the policies, plans, and programs in place as well as resources to be competitive in securing its share, if not more, of the available federal funds. Indeed, Washington State agencies are aggressively pursuing many of these opportunities and have already secured \$2.3 billion in funding, not including Washington's share of \$1 billion for the Pacific Northwest Hydrogen Association's PNWH2 Hub.

However, **for Washington to maximize the resources that come to our state and are effectively deployed, requires additional resources** - for match funding, grant writing and administration, marketing, outreach, and technical assistance to consumers, communities, local governments, tribes, and other eligible entities - **along with improved internal systems and organizational infrastructure.**

INTERNAL SYSTEMS AND ORGANIZATIONAL INFRASTRUCTURE

The state will benefit from increased capacity to acquire and manage grants, a more strategic approach and improved cross-agency coordination when deciding on and pursuing opportunities, improved tracking systems, and more robust, compelling communications about the benefits of investing state and federal funds to achieve state climate related goals.

Recommendations include:

- hiring a federal funding coordinator,
- establishing a cross-agency federal funding strategy working group,
- creating a shared database and management system for tracking funding opportunities,
- developing decision support tools to assist in setting priorities and allocating resources, and
- expanding communication capabilities.

Roadmap Phase 1 – Summary findings and recommendations

SUPPORT FOR EXTERNAL STAKEHOLDERS

The state has a vital role to play in helping local governments, community groups, tribes, NGOs, utilities, consumers, and other non-state entities access federal funds, including through formula and competitive grants, cooperative agreements, and tax credits and rebates. Many of the entities lack the knowledge or capacity to obtain the available funds.

Recommendations include:

- developing a one-stop-shopping portal for consumers, local governments, and other partners to access funding opportunities,
- implementing a robust communications and marketing campaign,
- providing capacity grants and technical assistance for under-resourced partners,
- expanding the state’s role as an advocate and catalyst to advocate for state interests as funding programs are formulated and to coordinate partners in accessing these federal funds.

LEGISLATIVE BUDGET REQUESTS - INFORMING THE GOVERNOR’S 2024 SUPPLEMENTAL BUDGET

Consistent with the needs identified above, the following are recommendations for the Governor’s 2024 Supplemental Budget:

- \$1-2M to improve internal systems, including **developing a shared database** to track and manage funding opportunities and **increased grant writing capacity** for state agencies.
- \$15-25M to support a **one-stop shopping website/portal, marketing, outreach, and technical assistance to external stakeholders** to help low-capacity entities and others obtain and deploy grants, loans, and tax incentives, including taking advantage of Direct Pay provisions.
- In addition, Commerce’s Office of Economic Development and Competitiveness (OEDC) identified the need for **funding to expand clean energy manufacturing and generation, strengthen technology supply chains, and attract and train the workforce needed for these projects**. Such funding will further leverage federal funds to achieve the state’s climate, clean energy, economic development, and job creation goals.

Roadmap Phase 1 – Summary findings and recommendations

LEGISLATIVE BUDGET REQUESTS - INFORMING THE GOVERNOR'S 2024 SUPPLEMENTAL BUDGET, CONT.

Many of the priority funding opportunities require match funding or cost-share, generally ranging from 10-50% of the value of the grant. The agency prioritization process identified the need for both flexible and specific state match as identified below:

- \$80-90M in flexible match funding available largely to non-state entities to pursue near-term priority funding opportunities
- \$2.8M in match associated with current, specific opportunities.

In general, the legislators interviewed expressed their support for using state funds, particularly Climate Commitment Act (CCA) resources, to maximize our state's ability to acquire federal funds. This included support for the concept of a flexible or opportunistic match – funds not tied to specific programs but available for competitive federal grants linked to state priorities. Legislators emphasized that priorities need to be clearly established as well as guardrails to ensure that the funds are deployed as intended.

FOR MORE INFORMATION

Please see tables 1- 3 on the following pages for more detail on these findings and recommendations. [The full report is available here](#) and a searchable [Excel spreadsheet containing information on all 535 federal funding opportunities can be found here](#).

Table 1- Key Findings

1	<h3>Priority Funding Opportunities</h3>	<ul style="list-style-type: none"> Through the initial prioritization process, state agencies identified 85 high & 49 medium priority funding opportunities, with 34 additional opportunities to be further evaluated. On a per capita basis, these could represent \$8.2B for Washington State’s economy and communities. The consultant team identified an additional 47 opportunities and \$289.3B worth of tax incentives for consideration in setting priorities. Some of the opportunities are term-limited; others last for 10 years. Match funding and additional capacity will be needed for the state to secure its share of these opportunities.
2	<h3>Internal Systems & Organizational Infrastructure</h3>	<p>What’s needed:</p> <ul style="list-style-type: none"> Capacity for acquiring and managing federal grants to address the un-precedented pace and scale of opportunities and Insufficient grant-writing and management staff across all agencies. Cross-agency coordination, strategic decision making, & accountability, including an approach to strategically managing/optimizing federal & CCA\$, tools and analytics to model and track outcomes, timely, comprehensive reporting. Communication and outreach strategy to develop a compelling narrative for investing state resources to maximize federal \$ and Inform and engage with key stakeholders and the public. Capacity, frameworks, and toolkits to maximize federal funds to advance WA’s environmental justice and workforce goals.
3	<h3>Support for External Stakeholders</h3>	<p>What’s needed:</p> <ul style="list-style-type: none"> Outreach and communication to external stakeholders including a website portal regarding federal funding opportunities. Support and technical assistance, including capacity for grant writing and administration, for organizations with limited budgets to enable greater access to federal funding opportunities. Agency capacity to serve as advocate and catalyst to shape federal opportunities and coordinate WA stakeholders Matching funds and financing to maximize competitiveness.
4	<h3>Roadmap Focus Areas</h3>	<p>What’s needed:</p> <ul style="list-style-type: none"> To effectively capitalize on federal funding opportunities, the state could benefit from additional research, planning and/or strategy development in the following topic areas: tax incentives and direct pay, federal funding for equity, clean energy workforce, agriculture and rural communities, building decarbonization, and resilience.

Table 2 - Recommendations

1	<h3>Priority Funding Opportunities</h3>	<p>While further work is needed to refine the list of priority opportunities, the state should:</p> <ul style="list-style-type: none"> • continue to aggressively pursue near-term grant opportunities that advance the state’s decarbonization, equity and resilience goals and where Washington is most competitive. • Increase its focus on tax incentives, including Direct Pay, the Green Bank loan program, and funding for rebates and tax credits to make the energy transition more affordable to consumers and overburdened communities. • Secure state funding for match, increased grant management capacity, marketing, outreach and technical assistance.
2	<h3>Internal Systems & Organizational Infrastructure</h3>	<ul style="list-style-type: none"> • Increase capacity to acquire & manage grants, via contractor support and/or increased staffing • Improve cross-agency coordination & strategic decision making <ul style="list-style-type: none"> • Accelerate the hiring of a Federal Funding coordinator to oversee and direct efforts across agencies; Include in the planned EJ coordinator position a focus on the nexus between federal funding, the CCA, and Heal Act opportunities and requirements. • Create a shared database of funding opportunities & management system to create efficiencies and maximize staff resources • Streamline internal processes for tracking, decision making, and reporting • Establish a Federal Funding Strategy Working Group • Develop a Decision Support Tool to assist in setting priorities and allocating resources • Communications <ul style="list-style-type: none"> • Develop a compelling narrative about the benefits of using state funds to increase capacity and as match to obtain federal funds • Increase executive and agency capacity to ‘tell the story’ about the benefits to WA of federal and CCA funding
3	<h3>Support for External Stakeholders</h3>	<ul style="list-style-type: none"> • Create a portal / website to provide “one-stop shopping” services and access to funding opportunities. • Develop and launch a marketing and outreach campaign to build awareness and demand for incentives and grants. • Provide technical assistance, grant writing, and management support to low-capacity entities. • Increase state agency capacity to provide advocacy and catalyst services. • Provide match & financing.
4	<h3>Roadmap Focus Areas</h3>	<ul style="list-style-type: none"> • Tax Incentives and Direct Pay • Clean Energy Workforce • Building Decarbonization • Federal Funding for Equity • Agriculture & Rural Communities • Resilience

Table 3 – 2024 Supplemental Funding – Initial Budget Estimates

1	<p>Match for Priority Funding Opportunities</p>	<ul style="list-style-type: none"> • Provide match funding for priority federal funding opportunities <ul style="list-style-type: none"> • Commerce ED - clean energy & equity, competitive & formula • Ecology, WSDA, DOH, DOT – energy, rural, resilience, alternative transportation, water & natural resources 	<ul style="list-style-type: none"> • Match funding: \$80-90 million
2	<p>Internal Systems & Organizational Infrastructure</p>	<ul style="list-style-type: none"> • Increase capacity to acquire grants (grant writing), contract &/or staff • Improve cross-agency coordination & strategic decision making <ul style="list-style-type: none"> • Accelerate hiring for the Federal Funding & EJ Coordinator positions • Create a shared database, tracking, & reporting system for acquiring and managing federal funding opportunities • Topic specific roadmaps, contractor support 	<ul style="list-style-type: none"> • Internal systems & organizational capacity: \$1-2 million
3	<p>Support for External Stakeholders</p>	<ul style="list-style-type: none"> • Create a portal / website to provide “one-stop shopping” services and access to funding opportunities. • Develop and launch a marketing and outreach campaign to build awareness and demand for incentives and grants. • Provide technical assistance, grant writing and management support to Tribes, low-capacity entities, NGOs, & private sector on grants and tax incentives, including Direct Pay; coordinate applications across stakeholders; increase advocacy for WA interests in program design & rulemaking. 	<ul style="list-style-type: none"> • Website/portal, marketing, outreach: \$5 million • Technical assistance: \$10-20 million