Environment & Energy

# State Officials Hold Sway in Biden's Climate Law Funding Rollout

By Zach Bright

Deep Dive
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- State officials have key role in disbursing federal dollars
- Cities may miss green banks, emissions reductions

Provisions in the recently passed climate law have many local leaders looking to leverage federal funds to reduce greenhouse gas emissions. But some of their plans could get stopped up at the state level.

Republican state legislatures, state agencies, and governors who deny climate change could limit the rollout of climate funds, policy experts and some local elected officials say.

Houston Mayor Sylvester Turner, who chairs the bipartisan 470-member Climate Mayors organization, said his city and others could be affected if state authorities in charge of rolling out money don't see climate change as a priority.

"ERCOT—which is the traffic cop for our Texas grid—really has never acknowledged climate change," Turner said, referring to the Electric Reliability Council of Texas, which operates the state's electrical grid. "They're not even using the word climate change. When you don't acknowledge, it's difficult to then say you are fully committed to utilizing federal dollars to mitigate the risk of climate change."

The tax and climate law (Public Law 117-169), a signature legislative achievement for President Joe Biden, was passed without any Republican votes. Now state officials from both parties will have an important role in how to implement it.

"Governors could be able to block some of the implementation of the climate funds," said Chris Chyung, senior campaign manager for state and local climate programs at the Center for American Progress. It's possible that "some of the funding and grant money that state legislatures will need to allocate and have their agencies go look for just runs up against a partisan wall," he added.

**Competitive Funding**

States, municipalities, and tribal governments can apply for a host of funds under the new law. Funding through the Environmental Protection Agency, for example, includes $5 billion for emissions reduction plans and $7 billion to start green banks, funding institutions designed to fuel climate friendly projects.

The measure affords more opportunities to local governments to apply for funds directly from federal agencies than did last year's bipartisan infrastructure bill (Public Law 117-58), according to Carolyn Berndt, legislative director of sustainability for the National League of Cities.

But many cities are still counting on their states to make the asks because many of these the programs are competitively funded. Cities often lack the capacity and resources that state governments have, meaning cities could lose out if their governors don't direct state agencies to apply.

State legislatures in some cases also have limited cities' authority with preemptive laws. For example, 20 states have prohibited municipalities from banning natural gas hookups.

Madison, Wis., Mayor Satya Rhodes-Conway, who also co-chairs Climate Mayors, said she'd like to tap into a $1 billion funding opportunity to modernize building energy codes and meet a citywide goal of 100% renewable energy by 2050. But the Wisconsin Legislature banned local governments from adopting building codes that are more energy efficient than the statewide standard.

"I think it's unlikely that that's a place where Madison could get funding because we just don't have the ability to adopt stretch codes, or more energy-efficient codes," Rhodes-Conway said.

The law amplifies the advantages of electrification by making "home and building heating from gas a lot less economically competitive compared to electrification," said Joshua Basseches, an assistant professor of public policy and environmental studies at Tulane University. "But at the end of the day, the states are still going to have the say."

Governors and state lawmakers also have to agree on how to provide state funding for federal cost-sharing projects or risk passing up matching federal funds if they can't. For example, $760 million is available, but requires cost sharing, for siting interstate transmission lines beyond borders to facilitate the clean energy transition.

**Carrots, Not Sticks**

States need to administer the law's programs that offer rebates, but it's "a little hard to imagine a state denying its residents this opportunity," Berndt said. That includes two grant programs that total about $8.6 billion for consumers to electrify and retrofit their homes, from heating and cooling to cook-tops.

States resistant to addressing climate change also won't easily be able to hamstring key climate benefits such as boosts to the federal clean energy tax credit for public entities and the electric vehicle tax credit that's directly available for American households.

For other opportunities that don't go need to go through a legislature, such as $3 billion in environmental justice grants, prospective applicants will need to be prepared to secure funds on their own.

It's "uniquely frustrating" that states could, in various ways, block the law's benefits of mitigating climate change, transitioning to clean energy, and improving resilience, said Chyung, who's also a former Democratic state lawmaker from Indiana.

"States need to get their house in order because this is so beneficial to and was crafted in such a way that is largely beneficial to so many disparate stakeholders," he said.

Turner, the Houston mayor, said that it will be up to federal agencies such as the departments of Energy and Transportation to roll out the new law in ways that avoid hurdles at the state level.

"It's incumbent upon these various departments through their rulemaking capacity to do everything within their power to make sure that these dollars are spent for their intended purposes," Turner said, "and that the states are working in tandem with local cities and counties to have the greatest degree of impact."

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