Federal Infrastructure Legislation Creates Opportunities for Climate-Related State Investments

December 10, 2021

States can take advantage of historic levels of incoming climate funding

The recently passed Infrastructure Investment and Jobs Act (IIJA) and the most recent version of the Build Back Better Act[1] (BBBA) could provide historic combined funding of over **$400 billion** for "climate-related"[2] investments. Approximately **$260 billion** of that funding *could* be directly managed by state governments and used to accomplish a broad array of climate goals. Although some of this funding will be allocated to states according to existing formulas, a substantial portion of "state-eligible"[3] funding will be distributed through competitive programs open to state applications.

States can seek out funding that advances climate objectives and amplifies federal, local, and private investments. States have an important opportunity to leverage both direct and competitive funding to promote targeted emissions reductions and amplify non-state spending in areas that align with their climate goals. These opportunities extend across climate domains. For example, state investments in electric vehicle charging infrastructure could complement new federal tax credits for EVs to increase consumer appetites for electric mobility and promote emissions reductions from transportation.[4] State-funded energy-efficient appliance rebates and expanded weatherization programs can build on new commercial and residential efficiency tax credits.

States have varying degrees of control over climate investments across sectors. Nearly all climate-related funding for the transportation sector, including direct formula allocations, is expected to flow through state offices, whereas a larger share of investments in other sectors, such as clean energy technology development, climate research, and natural land resilience, will be controlled at the federal level. In addition to transportation, states have an opportunity to take the lead in certain key areas, including energy efficiency and air quality, and to play a role in coordinating with private entities receiving increased funding in areas like clean energy supply chains.

Unless they take action, states are not guaranteed to receive maximum climate-related funds. Although a large portion of climate-related funding is technically available to states, certain actions will be required to unlock the full amount. Some formula funding programs, like the Carbon Reduction Program, are accompanied by state planning requirements. Additionally, states that wish to take advantage of competitive funding to supplement formula allocations will need to actively track and engage with federal grantmaking processes, including responding to funding opportunities and working to inform federal program design decisions.

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[1] As of 11/13/21, the most recently updated version of the Build Back Better Act can be found here. A section-by-section can be found here.

[2] "**Climate-related**" - provisions that primarily address at least one of the following: climate change mitigation and adaptation, directly decreasing GHG emissions, natural and working land resiliency, infrastructure climate resiliency, low-carbon infrastructure, clean energy investment, or addressing environmental justice disparities.

[3] "**State-eligible**" - all climate-related funding with the potential to be directly managed by states. This includes formula allocation and competitive grant opportunities.

[4] Consumer and private industry tax incentives are not included in funding totals listed. More information on the estimated $300 billion of tax incentives included in BBBA Title XIII, Subtitle F - Green Energy can be found in the accompanying spreadsheet.

Incoming Federal Climate-Related Investments[5]			
Bill	**Total Climate-Related ($ billions)**	**State-Eligible ($ billions)**	**State-Eligible %**
Infrastructure Investment and Jobs Act	$119.8	$84.0	70%
Build Back Better Act	$286.7	$182.0	63%
TOTAL INVESTMENTS	**$406.4**	**$265.9**	**65%**

Context

Top-line estimates presented here were developed with state climate and equity goals as the primary focus. In totaling the climate funding included in these two bills, we included a wide array of investment areas, but excluded programs that were not primarily focused on climate-related goals. Other published estimates of climate spending in these bills often include only programs directly impacting emission reductions, such as clean energy investments, or EV infrastructure, but often exclude issues like natural land resiliency and investments, which are designed to reduce economic and health disparities in environmental justice communities. Due to the inclusive definitions of “climate-related” and “state-eligible”, our final top-line estimates for both bills are higher than other widely-circulated estimates.[6] Additionally, other published estimates of state-by-state funding – particularly in the case of IIJA – focus primarily on guaranteed funding, and often exclude funds that states are eligible to apply for through a competitive process.[7] In summary, other published estimates typically do not fully capture the opportunity that these bills create for states to maximize their climate mitigation and adaptation investments.

However, as noted above, some programs that have significant potential to advance state climate goals were excluded from our totals. In particular, major funding sources like the National Highway Performance Program, Surface Transportation Block Grants, Clean and Drinking Water Revolving Funds, the Water Infrastructure and Finance Innovation Act, funding through the DOE Loan Program Office, and various other investments in public transportation infrastructure were not included because their primary intended purpose does not meet our established definition of “climate-related”. These programs, many of which provide guaranteed funding to states, can also serve to decrease emissions *if* they are implemented in climate-conscious ways.

Further breakdown of funds included in these bills is shown below in Appendix I. Additionally, more detailed, section-by-section breakdowns of both bills can be found in the spreadsheet accompanying this memo.

[5] This analysis only included individual programs and initiatives – not tax incentives – in IIJA and BBBA that appropriated a minimum of $100 million. Some notable exceptions below the $100 million threshold are documented in the accompanying spreadsheet.

[6] White House BBBA climate estimates can be found here. The final $555 billion estimate includes BBBA tax incentives.

[7] White House IIJA state estimates can be found here.

Appendix I: IIJA and BBB Investment Area Breakdown

Incoming Federal Climate-Related Investments			
Bill	**Total Climate-Related ($ billions)**	**State-Eligible ($ billions)**	**State-Eligible %**
Infrastructure Investment and Jobs Act	$119.8	$84.0	70%
Build Back Better Act	$286.7	$182.0	63%
Investment Area Breakdowns			
Infrastructure Investment and Jobs Act			
Investment Area	**Total Climate-Related ($ billions)**	**State-Eligible ($ billions)**	**State-Eligible %**
Surface Transportation	$32.7	$32.2	98%
Energy	$79.2	$45.2	57%
Drinking Water and Wastewater Infrastructure	$2.6	$1.6	61%
Clean School Buses and Ferries	$5.3	$5.0	95%
IIJA Total	**$119.8**	**$84.0**	**70%**
Build Back Better Act			
Committee	**Total Climate-Related ($ billions)**	**State-Eligible ($ billions)**	**State-Eligible %**
Agriculture	$67.9	$24.7	36%
Education and Labor - National Service Initiatives	$12.2	$0.0	0%
Energy and Commerce - Clean Air, Waste, Drinking Water, Energy	$88.8	$60.6	68%
Financial Services - Housing	$69.6	$65.0	93%
Natural Resources	$13.1	$8.3	63%
Oversight and Reform - GSA Energy Efficiency and Technological Procurement	$4.2	$0.0	0%
Science, Space, and Technology - Federal Climate Change R&D	$3.3	$0.0	0%
Transportation and Infrastructure	$27.6	$23.5	85%
BBBA Total	**$286.7**	**$182.0**	**63%**
TOTAL INVESTMENTS	**$406.5**	**$266.0**	**65%**