OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ◇ (860) 240-0200
http://www.cga.ct.gov/ofa

sHB-5004
AN ACT CONCERNING THE IMPLEMENTATION OF CERTAIN CLIMATE CHANGE MEASURES.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 $	FY 26 $
Public Utilities Regulatory Authority (PURA)	CC&PUCF - Potential Cost	Potential Significant	Potential Significant
Office of Workforce Strategy	GF - Cost	Up to 200,000	None
Treasurer, Debt Serv.	GF - Potential Cost	See Below	See Below
Department of Energy and Environmental Protection	GF - Cost	800,000	None

Note: CC&PUCF=Consumer Counsel and Public Utility Control Fund; GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 25 $	FY 26 $
Various Municipalities	Potential Revenue Gain	See Below	See Below
All Municipalities	Potential Cost	See Below	See Below
All Municipalities	Potential Revenue Loss	See Below	See Below

Explanation

This bill establishes various requirements related to its climate crisis declaration, and results in the costs to the state as described below

Section 2 establishes broad state agency targets for reducing emissions affiliated with state agencies. This results in a cost to state

Primary Analyst: TM
Contributing Analyst(s): LG, EMG, WL, PM, MM, JS, CW, EW
Reviewer: RP
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agencies that will be further covered in the ratepayer impact statement below.

Section 4 establishes broad state targets for reducing emissions resulting in a substantial cost. Connecticut as of 2021 had over 41 million metric tons c02 (MMTC02e) equivalent in 2021[1]. The goal for 2030 would require the state to reach an emissions goal of 26.7 MMTc02e. The cost to achieve the goal will be substantial but it is unclear what that cost will be year-to-year or where that cost will be borne. This section also requires DEEP to hire a consultant to submit a report on Greenhouse Gas emissions (GHG), this is expected to cost $600,000.

Section 6 requires the Public Utility Regulatory Authority (PURA) to conduct a docket to determine how the state can address future natural gas usage in relation to the state's target emission levels. This is expected to be completed within existing resources.

Section 8 is expected to result in a cost of $100,000 in FY 25 to the Department of Energy and Environmental Protection (DEEP), which will use a consultant to meet the requirement that DEEP's website contain a variety of energy-related information in one place. DEEP requires a consultant to develop the necessary components the department does not currently report, and to create the webpage(s).

Section 9, which establishes a preference for certain "green" jobs under the JobsCT tax rebate program, does not result in any fiscal impact as it does not alter the aggregate annual $40 million cap on the program.

Section 10 requires the Department of Revenue Services commissioner, in collaboration with the Department of Economic and Community Development commissioner, to identify business fees that are appropriate for waiver for environmentally sustainable certified B corporations and farms. This does not result in any fiscal impact as the agencies have the expertise to accomplish this requirement within

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[1] DEEP GHG Inventory 2021

existing resources.

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Section 11 results in a one-time cost of up to $200,000 to the Office of Workforce Strategy (OWS) by requiring the Connecticut Clean Energy Council, on which OWS is a participating member, to develop a plan to transition workers from fossil-fuel-based jobs to clean energy jobs.

While OWS does have expertise on workforce development strategies, it is anticipated that the agency will need to hire a consultant to (1) assist in researching the costs of training for both new workers and upskilling existing workers to meet industry demands and standards and (2) complete the report by February 1, 2026**.**

Section 12 has no fiscal impact by requiring Connecticut Innovations (CI) to submit a report on investments and assistance provided to companies engaged in matters related to the mitigation of climate change. CI has the expertise to accommodate this report within existing resources.

Section 13 requires PURA to expand its statewide energy storage program by increasing cumulative storage deployment targets and the size of the incentives if PURA decides to do so resulting in a potentially significant cost to the state. to reach the goals of the bill with existing storage capacity. The bill establishes a goal of 1,000 MW and seeks to establish a capacity of 580 MW by 2030.

Section 14 increases the reimbursement rate for school construction projects that are "for the installation of a renewable energy or energy efficiency project." To the extent projects are found to be eligible for the reimbursement increase and relevant projects are submitted, there would be increased costs to the state (paid by General Obligation bonds, which leads to an increase in General Fund debt service) and increased revenue to involved municipalities beginning as early as FY 25. The impact of future projects on the school construction priority list will be reflected when such projects are considered by the legislature in the future.

Section 14 is unclear as to which school construction projects would be eligible for the increase, which has a major effect on the magnitude of the fiscal impact.

If all school construction projects are deemed to be eligible energy efficiency projects, there would be a 10 percent increase in state spending and revenues to municipalities with relevant projects going forward.[2] Nearly all projects on the school construction priority list since 2020 have included energy efficiency as part of the project's stated purpose.

If limited to just the portion of a school construction project that directly involves energy efficiency upgrades, only that portion of project expenses would result in an increased cost to the state and increased revenue to municipalities. Given the complex nature of school construction projects, and how interwoven different aspects of a project may be, it is typically difficult to differentiate which parts of a project are attributable to energy efficiency and which would be excluded from the rate increase.

If limited to just standalone energy efficiency projects, limited fiscal impact is anticipated. Since 2020, no projects on the school priority list have been designated as solely or primarily "energy conversation" projects. However, it is possible the increased reimbursement rate would motivate municipalities to pursue eligible projects with such a designation in the future.

Section 16 requires DEEP in conjunction with the Connecticut Green Bank to develop a plan to install 310,000 heat pumps for residential heating systems resulting in no fiscal impact.

Section 17 may result in a potential cost to municipalities as it

[2] For context, the priority list under consideration for the 2024 session, within HB 5347, authorizes more than $500 million of state obligations for school construction projects.

requires evaluations of environmental sustainability and climate resiliency to be included in municipalities' Plans of Conservation and Development (POCDs). This requirement applies to any POCDs adopted after January 1, 2025. Any costs will be dependent on what is needed to meet this requirement.[3]

This section may also result in a potential revenue loss to municipalities to the extent they are unable to adopt the POCDs with the new requirements. Failure to do so, consistent with current law, results in a municipality becoming ineligible for discretionary state funding.[4]

Section 18, which requires the Office of Policy and Management (OPM) to develop a model policy for environmentally sustainable purchasing that municipalities may voluntarily utilize and implement, does not result in a fiscal impact as OPM has the resources necessary to develop the model policy.

Section 19 is not anticipated to result in a fiscal impact, as it requires the Office of Policy and Management to authorize additional reimbursement of eligible expenses under the Local Capital Improvement Program (LoCIP) for FY 25 using any resources appropriated for said purpose. Administration of LoCIP was changed from a reimbursement program to a prospective grant beginning in FY 24 (PA 23-124).

Additionally, the LoCIP program is bond funded. The bill makes no additional resources available for the program, either through the authorization of bond funds or appropriations. The fiscal impact of any legislation appropriating funds for an expanded purpose would be noted in the fiscal note relevant to the other legislation.

[3] Under current law, municipalities are required to update their plan of conservation and development at least once every ten years.

[4] Discretionary state funding includes, but it not limited to, any source of funding that a state agency administers through a competitive process. This may include: the Urban Action Program and Small Town Economic Assistance Program.

Section 21, which requires DEEP to produce a report and plan for implementing nature-based ways to support climate mitigation and adaptation, results in a one-time cost of $200,000 in FY 25. The department will use a consultant to complete the report as it lacks sufficient resources to meet the reporting and planning requirements.

Ratepayer Impact Statement [5]

This bill results in a significant increase in cost to ratepayers. The costs associated with sections 2 and 4 come from the climate targets and the costs of reaching them. Achieving the GHG targets described would require a significant investment into the electrical grid, and electrical generation. The changing of sources may increase costs to electric distribution companies, in the form of capital costs and potentially higher energy costs in the short term.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the terms of any bonds issued.

[5] The state and municipalities are ratepayers and therefore may be impacted by policy changes that affect electric rates