OFFICE OF FISCAL ANALYSIS

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

As Amended by House "A" (LCO 4989)

House Calendar No.: 216

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 $	FY 26 $
Department of Energy and Environmental Protection	GF - Potential Cost	500,000	None
Public Utilities Regulatory Authority (PURA)	GF - Potential Cost	50,000	None
Secretary of the State	GF - Revenue Loss	Minimal	Minimal
Office of Workforce Strategy	GF - Cost	Up to 200,000	None
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Resources of the General Fund	GF - Potential Cost	See Below	See Below
Department of Energy and Environmental Protection	GF - Cost	Up to 100,000	None

Note: GF=General Fund

Municipal Impact:

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

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Reviewer: PR

Explanation

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

Section 4 establishes broad state targets for reducing emissions resulting in the ratepayer impact outlined below and a potential cost for the Department of Energy and Environmental Protection (DEEP). This section does not require but allows does not require DEEP to hire a consultant to submit a report on Greenhouse Gas emissions (GHG). If DEEP were to hire a consultant to complete the study, it would cost approximately $500,000.

Section 7 requires the Public Utilities Regulatory Authority (PURA) to create an internet data dashboard with certain data related to ratepayer funded clean and renewable energy programs and results in a potential cost. The bill empowers but does not require PURA to hire a consultant to facilitate the creation of the data dashboard. If PURA were hire a consultant, it would create a cost of approximately $50,000 in FY 25.

Section 8, 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 9 requires the Secretary of the State (SOTS) to identify fees that may be waived for certain benefit corporations and farms using climate smart practices developed by the United States Department of Agriculture resulting in revenue loss. The exact extent of the revenue lost will depend on the number of entities that qualify for fee waiver, and the number of fees identified to waive, but is likely to be minimal.

Section 10 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 from establishing a task force to study underutilized sites, including brownfields, throughout the state for utilization by entrepreneurs in the climate and green economy sector. It is anticipated that the task force can complete its responsibilities within existing resources.

Section 14 makes purchase and installation of air source or ground source heat pumps eligible for non-priority list school building project reimbursements, which results in a cost to the state and potential revenue gain to municipalities.

The school construction program is funded using General Obligation (GO) bonds, in two large tracts: priority list projects (i.e., larger projects approved in legislation) and non-priority list projects. Non-priority list projects currently include emergency items, such as fire or catastrophe damage, leaking roofs, or code violations. The bill expands the non-priority list projects to include heat pump installation.

Non-priority list projects are allowed at the discretion of the Commissioner of Administrative Services within available resources of the program. As of March 1, 2024, the unallocated bond balance available under the school construction authorization is $421 million, with another $250 million effective under current law to start FY 25. The bill is expected to result in an increase in the use of GO bond funds for non-priority list reimbursable expenses, which would expedite anticipated debt service from existing bond authorizations.

To the extent municipalities choose to pursue additional heat pump projects allowed under the bill, there would be additional revenues to the same municipalities.

Specific costs from eligible projects, including the marginal increase from expanded eligibility, can only be determined as project expenses are incurred by municipalities and state reimbursements are sought and offered.

Installation of heat pumps is already allowed as part of broader priority list projects within the school construction program. Additionally, competitive grants are available under the school air quality grant program, which would include installation of heat pumps. It is unclear how many additional projects would seek funding specifically under the non-priority list provision of the school construction program than would otherwise seek funding under the other available funding sources.

Section 16 results in a potential cost to DEEP to the extent that the department establishes a program to provide point-of-sale rebates for heat pump purchases. The bill appears to allow program funding to come from the General Fund, bond funding, or federal funding; currently there is no such funding available or authorized by the bill. The magnitude and timing of the potential cost is dependent on the amount of funding made available, if any.

Section 17 results in a potential cost to municipalities as it 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 on or after October 1, 2026. Any costs will be dependent on what is needed to meet this requirement.

This section results 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.

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 and FY 26 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.

Section 20 requires the Department of Administrative Services (DAS) to establish a process to consider ways to increase energy efficiency, utilization of zero-carbon and renewable options, facilitate EV charging, and reduce energy use when modifying any real asset of the state. These provisions do not result in a fiscal impact as DAS has the resources necessary to develop the process.

Section 21 results in a cost to DEEP of up to $100,000 in FY 25 to complete a report by December 31, 2024 which assesses the department’s current use of nature-based solutions in various programs and the potential for expanding such solutions in those programs. The department is likely to use a consultant to complete the report as it lacks sufficient resources to meet the reporting requirements by the deadline.

Ratepayer Impact Statement[1]:

The bill creates and adopts additional Greenhouse Gas (GHG) emissions reduction targets and results in a cost to ratepayers. The cost is associated with the development and upgrade of the grid that will be required by electric distribution companies to achieve the targets in the bill[2]. The exact cost to ratepayers will depend on the pace of upgrades completed.

House "A" strikes the underlying bill and results in the fiscal impact described above.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

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

[2] Electric generation is one of several factors contributing to carbon emissions