OFFICE OF FISCAL ANALYSIS

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HB-5232
AN ACT CONCERNING SOLAR PROJECTS THROUGHOUT THE STATE.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 $
Department of Energy and Environmental Protection	GF - Cost	300,000

Note: GF=General Fund

Municipal Impact:

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

Explanation

This bill makes various changes in laws related to renewable energy facilities, including solar generating facilities, taxation and property tax, labor requirements resulting in the impacts below.

Sections 1 and 2: (1) establish a property tax exemption for certain Class I renewable energy sources, and (2) establish a separate annual capacity tax of $8,000 per megawatt (MW) of nameplate capacity on certain solar facilities.[1] This results in a grand list reduction beginning

[1] In FY 24, certain tax-exempt renewable energy and pollution control equipment resulted in a grand list reduction of approximately $625.1 million to all municipalities cumulatively.

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in FY 26 for any municipalities that have qualifying property.[2] This grand list reduction may be partially offset by a revenue gain from the annual capacity tax beginning in FY 25.[3]

The sections also permit municipalities to stabilize or freeze the tax imposed for any system in the municipality. If a municipality chooses either of these options, it will reduce any revenue gain as a result of the annual capacity tax.

Section 3, extends existing wage and workforce requirements to renewable energy project with at least 1 MW of capacity, subjecting them to existing prevailing wage requirements, resulting in a potential cost to the state depending on the number of new projects that would be affected by this change, and the number of projects taken on by the state. Connecticut had a deployment of 46,219 photovoltaic solar projects as of 2022[4] through the Residential Solar Investment Program (RSIP).

Section 5 requires the achievement a deployment rate of 500 MW of new solar each year beginning in FY 25 and deploy solar to 250,000 homes by 2035 resulting in a significant cost. There would be a significant cost to the state to meet an annual increased solar capacity goal of 500 MW.

Section 6 requires municipalities to establish a simplified approval process for building applications for solar canopies and requires municipalities to approve or deny within six months of the application submission. This may result in a potential revenue gain to municipalities beginning in FY 25 to the extent they receive an increased number of applications.

Section 7 requires DEEP to conduct a study on solar canopy

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[2] A grand list reduction results in a revenue loss given a constant mill rate, however it is likely that a municipality will adjust its mill rate to offset any predicted revenue loss.
[3] Several municipalities estimate that the $8,000 per megawatt capacity tax will still result in approximately $4,000 in lost revenue per megawatt of nameplate capacity.
[4] PURA 2022 Clean Renewable Energy Report p.6

throughout the state resulting in a one-time cost to the state of approximately $300,000 in FY 25.

Ratepayer Impact Statement[5]

This bill sets requirements that DEEP meet the 500 MW of Solar capacity each year could result in a significant ratepayer cost depending on the capacity developed. To meet the goal would require significant investment from energy producers that would be eventually passed on to ratepayers. If the goal were to be met consistently, that would increase capacity and reduce costs for ratepayers.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the amount of impacted property, the state related cost is one time and concludes in FY 25.

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