

## Department of Planning and Budget

### 2022 Fiscal Impact Statement

**1. Bill Number:** HB1301

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron:** Kilgore

**3. Committee:** Agriculture, Chesapeake and Natural Resources

**4. Title:** Clean Energy and Community Flood Preparedness Act; repeals Act.

**5. Summary:** Repeals the Clean Energy and Community Flood Preparedness Act and directs the Director of the Department of Environmental Quality to take all steps necessary to suspend the Commonwealth's participation in the Regional Greenhouse Gas Initiative market-based trading program.

**6. Budget Amendment Necessary:** Yes. Items 114, 374, 379, HB30/SB30 as introduced

**7. Fiscal Impact Estimates:** Preliminary. See item 8.

**7a. Revenue Impact:** Department of Housing and Community Development (Item 114)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2023	(95,000,000)	(16)	NGF
2024	(95,000,000)	(16)	NGF
2025	(95,000,000)	(16)	NGF
2026	(95,000,000)	(16)	NGF
2027	(95,000,000)	(16)	NGF
2028	(95,000,000)	(16)	NGF
2029	(95,000,000)	(16)	NGF

**Revenue Impact:** Department of Conservation and Recreation (Item 374)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2023	(85,000,000)	(5)	NGF
2024	(85,000,000)	(5)	NGF
2025	(85,000,000)	(5)	NGF
2026	(85,000,000)	(5)	NGF
2027	(85,000,000)	(5)	NGF
2028	(85,000,000)	(5)	NGF
2029	(85,000,000)	(5)	NGF

**Revenue Impact:** Department of Environmental Quality (Item 379)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2023	(5,600,000)	NGF
2024	(5,600,000)	NGF

2025	(5,600,000)	NGF
2026	(5,600,000)	NGF
2027	(5,600,000)	NGF
2028	(5,600,000)	NGF
2029	(5,600,000)	NGF

- 8. Fiscal Implications:** The Clean Energy and Community Flood Preparedness Act (the Act) establishes a carbon dioxide cap-and-trade program to reduce emissions from power plants, in compliance with RGGI. The Act requires revenues from the sale of carbon allowances to be deposited in an interest-bearing account and to be distributed (i) to the Virginia Community Flood Preparedness Fund (CFPF); (ii) to the Department of Housing and Community Development (DHCD) for low-income energy efficiency programs; (iii) for Department of Environmental Quality's administrative expenses; and (iv) to DHCD in partnership with the Department of Energy (DEN) to administer and implement low-income energy efficiency programs.

The Act provides for 45 percent of the revenue to support CFPF, which is administered by the Department of Conservation and Recreation (DCR). The Virginia Resources Authority (VRA) manages the CFPF in accordance with a memorandum of agreement between the two entities. As required in the Act, DHCD receives 50 percent of the proceeds, and an additional two percent for administrative expenses. Funding allocated to DHCD supports the Housing Innovations in Energy Efficiency program, by focusing grants on weatherization, affordable and special needs housing, and other housing innovations. The latter portion of this distribution may be administered in collaboration with the DEN. Additionally, DEQ is authorized to use three percent of the revenue to (i) cover reasonable administrative expenses in revenue allocation, carbon dioxide emissions cap-and-trade program, and auction, and (ii) carry out statewide climate change planning and mitigation activities.

Since adoption of the Act, four quarterly auctions have taken place, generating \$227.04 million in net proceeds. Out of this revenue, the shares allocated to DEQ, DCR, and DHCD total \$6.8 million, \$102.2 million, and \$118.1 million respectively.

HB30/SB30, as introduced, includes nongeneral fund appropriation corresponding to the use of RGGI proceeds as outlined above reflecting estimates provided by each agency, as final share amounts are determined at the time each auction takes place. Appropriations in HB30/SB30 total \$95.0 million each year for DHCD, \$85.0 million each year to DCR, and \$5.6 million each year to DEQ. Budget amendments will be necessary to remove this appropriation and the corresponding positions.

DCR and DHCD are currently supporting positions utilizing these funds in conjunction with the administration of the CFPF and the Housing Innovations in Energy Efficiency program. If the positions are eliminated, these agencies may incur Workforce Transition Act (WTA) and other severance costs for the eliminated, filled positions. Fiscal impact estimates are currently unavailable.

At this time it is anticipated that this bill will not have a fiscal impact on VRA, DEN, or the State Corporation Commission.

- 9. Specific Agency or Political Subdivisions Affected:** Departments of Housing and Community Development, Conservation and Recreation, Environmental Quality, and Energy; Virginia Resources Authority; State Corporation Commission; Secretary of Natural and Historic Resources; localities

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** Budget amendment 4-5.12 #1g, introduced by Governor Youngkin, initiates the Commonwealth's withdrawal from RGGI. This bill is a companion to SB532.