MEMORANDUM

TO: The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

FROM: Fitzroy Lee  
Chief Financial Officer

DATE: June 13, 2022

SUBJECT: Fiscal Impact Statement – Climate Commitment Amendment Act of 2022

REFERENCE: Bill 24-267, Committee Print as provided to the Office of Revenue Analysis on June 3, 2022

Conclusion

Funds are sufficient in the fiscal year 2022 budget and fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill. The bill’s implementation will cost $385,000 in fiscal year 2023 and approximately $1 million over the four-year financial plan period. These costs have been included in the approved fiscal year 2023 through fiscal year 2026 budget and financial plan.

Background

The bill establishes District greenhouse gas emissions targets and requires the Mayor to adopt policies that will reduce measured emissions relative to 2006 emissions. The District must achieve not less than 45 percent below the 2006 levels by 2025, 60 percent below by 2030, 70 percent below by 2035, 85 percent below by 2040, and reach a carbon neutral level by 2045 and each year thereafter.

The bill also requires the District government to achieve carbon neutrality in its operations by 2040, with a focus on renewable energy production. To support this effort, the Mayor must establish a task force to prepare an action plan for the government to achieve carbon neutrality, including the costs and timeline for implementing the necessary changes. The task force should include at least eight members representing the Department of General Services (DGS), the Department of Public Works (DPW), the District Department of Transportation (DDOT), the District of Columbia Housing Authority, the District of Columbia Water and Sewer Authority, the Office of the Deputy Mayor for Planning and Economic Development, the Department of Energy and Environment (DOEE), and the
Office of Resilience and Recovery. The task force should deliver its report within 18 months of the bill's effective date. In furtherance of achieving carbon neutrality for District government operations, the bill prohibits, by January 1, 2025, the installation of space- or water-heating appliances in District buildings that operate on the combustion of fossil fuels unless a compliant appliance is technically infeasible. The bill also requires, by January 1, 2026, the purchase or lease of only zero-emissions vehicles unless zero-emissions vehicle are not readily available.

The bill requires the District to advance racial equity, past environmental and public health inequities, and use the least harmful measures on the local ecosystems when implementing programs to reduce both District-wide and District government greenhouse gas emissions. The bill also requires DOEE to report annually, beginning on July 1, 2025, on the District's progress toward reducing District-wide and District government greenhouse gas emissions. The report should include an inventory of District-wide and District government-specific emissions, a description of the actions taken to reduce emissions, the impacts on racial equity and the local ecosystems, and a description of any challenges to implementing policies and reducing emissions. Every five years of the report, DOEE should include updated projections for greenhouse gas emissions for each year through 2045 for District-wide emissions and through 2040 for District government emissions.

The bill also makes permanent several energy policy changes that are currently in effect under temporary legislation. The bill makes some changes to the District's Building Energy Performance Standard Program. The bill delays when privately-owned buildings must come into compliance with the District energy performance standards. Buildings with at least 25,000 square feet of floor area must now comply by January 1, 2027, rather than January 1, 2023. Buildings with at least 10,000 square feet of floor area must now comply by January 1, 2033, rather than January 1, 2026. The bill extends from every five years to every six years the schedule by which DOEE must publish building types and the required energy performance standards for those building types. The bill aligns The Building Energy Performance Standard Program's performance goals with the new greenhouse gas emissions reduction goals of 60 percent by 2035 and carbon neutrality by 2040. The bill delays to January 1, 2022 the requirement for DGS to deliver a strategic energy management plan for District government buildings. The District allows the Department of Motor Vehicles (DMV) to set a fuel efficiency standard and to charge a different motor vehicle excise tax for vehicles that are higher or lower than the standard. Current law requires the changes to the excise tax be revenue neutral. The bill clarifies that the changes to the excise tax must be either revenue neutral or revenue positive.

Financial Plan Impact

Funds are sufficient in the fiscal year 2022 budget and the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill. The bill's implementation will cost $385,000 in fiscal year 2023 and approximately $1 million over the four-year financial plan period.

DOEE will need to update the District-wide model that currently exists, build out a model to track greenhouse gas emission from District government operations, and provide related education and technical assistance. DOEE requires $265,000 in fiscal year 2023 and $465,000 over the four-year financial plan period. DGS will need to support DOEE's efforts to build out and track a District

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1 CleanEnergy DC Omnibus Technical Amendment Temporary Amendment Act of 2021, effective February 18, 2022 (D.C. Law 24-58; 69 DCR § 1675).
2 CleanEnergy DC Omnibus Amendment Act of 2018, effective March 22, 2019 (D.C. Law 22-257; D.C. Official Code § 50-2201.03(j)(1A)).
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FIS: Bill 24-267, "Climate Commitment Amendment Act of 2022," Draft Committee Print as provided to the Office of Revenue Analysis on June 3, 2022

government operations emissions model. DGS requires an additional staffer that will cost approximately $120,000 in fiscal year 2023 and $550,000 over the four-year financial plan period.

The bill requires the District to eliminate the installation of space- and water-heating appliances that operate on the combustion of fossil fuels beginning in 2025 and to purchase or lease only zero-emissions vehicles beginning in 2026. These appliances and vehicles typically cost more than the fossil fuel alternatives and it could result in increased capital costs depending on the pricing of these purchases later in the financial plan. However, the bill provides an option for the District to install, purchase, or lease the fossil fuel alternatives if the non-fossil fuel alternatives are technically infeasible or are not readily available. The installation, purchase, or lease of more expensive non-fossil fuel appliances and vehicles could also result in fewer or delayed appliance installations or vehicle acquisitions.

The cost of the bill’s other provisions can be absorbed within each relevant agencies’ existing budgeted resources.

The fiscal year 2023 Budget Support Act\(^3\) adjusted the Sustainable Energy Trust Fund\(^4\) (SETF) to both increase SETF revenues and authorize those resources to support this bill’s implementation. The additional SETF revenues are sufficient to support these costs. The following chart outlines the full implementation costs of this bill.

<table>
<thead>
<tr>
<th>Climate Commitment Amendment Act of 2022</th>
<th>Bill 24-267</th>
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<tbody>
<tr>
<td>Implementation Costs</td>
<td>Fiscal Year 2023 – Fiscal Year 2026</td>
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<tr>
<td></td>
<td>($ thousands)</td>
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<tr>
<td>Emissions Modeling and Tracking</td>
<td>FY 2023</td>
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<td>DGS Government Emissions Support</td>
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<tr>
<td>Total</td>
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\(^3\) Approved June 7, 2022 (D.C. Bill 24-714).