

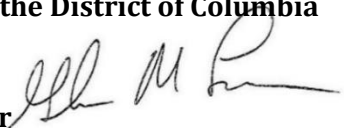
Government of the District of Columbia  
Office of the Chief Financial Officer



**Glen Lee**  
Chief Financial Officer

**MEMORANDUM**

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

**FROM:** Glen Lee  
Chief Financial Officer 

**DATE:** March 1, 2024

**SUBJECT:** Fiscal Impact Statement – Healthy Homes and Residential  
Electrification Amendment Act of 2024

**REFERENCE:** Bill 25-119, Draft Committee Print as provided to the Office of Revenue  
Analysis on March 1, 2024

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**Conclusion**

Funds are sufficient in the fiscal year 2024 through fiscal year 2027 budget and financial plan to implement the bill. The bill's implementation will cost over \$20 million annually over the four-year financial plan period to provide no-cost and subsidized residential electrification retrofits to low-income and moderate-income District households. The District Department of the Environment (DOEE) will fund these retrofits with a combination of Sustainable Energy Trust Fund (SETF) resources and federal grant funds.

**Background**

The bill establishes the Breathe Easy Program (Program) within the DOEE. Under the Program, DOEE will provide no-cost and subsidized residential electrification retrofits to low-income<sup>1</sup> and moderate-income<sup>2</sup> households and certain multi-unit residential buildings.<sup>3</sup> Residential electrification retrofits replace appliances or other systems that combust fossil fuels on-site with similar appliances and

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<sup>1</sup> Low-income households are those with income less than 80 percent of the median family income for the Washington Metropolitan Area.

<sup>2</sup> Moderate-income households are those with income from 80 percent to 150 percent of the median family income.

<sup>3</sup> At least 50 percent of the occupied units in a multi-unit residential buildings must be occupied by low-income households.

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systems powered by electricity. The Program must provide the retrofits to low-income households at no cost according to the following schedule:

- 2,500 households by December 31, 2027;
- 10,000 households by December 31, 2032;
- 20,000 households by December 31, 2037; and
- 30,000 households by December 31, 2040

The Program can also provide subsidized retrofits to moderate-income households according to a subsidy scale outlined by DOEE in its formal plan to implement the Program.

The bill also authorizes DOEE and the Program to provide training and education to contractors providing retrofits, individuals, and businesses, either directly or through partnerships with nonprofit organizations.

DOEE must develop a detailed plan for the Program outlining how residential electrification retrofits will be completed and how the Program will partner with certified equity impact enterprises<sup>4</sup> if it partners with private contractors. The plan should include information on how the Program will verify incomes for low- and moderate-income households and how the Program will certify that a multi-family building meets the low-income household occupancy requirements. The plan should identify allowable appliances, methods, materials, and technology that can be used for the retrofits. The plan should identify opportunities to provide multiple DOEE services to low-income households at the same time as a retrofit. The plan must include the sliding scale to be used by the Program when providing subsidies to moderate-income households. The plan should explore opportunities to reduce the cost of training individuals and businesses to perform retrofits. DOEE should include the expected number of low- and moderate-income households the Program will serve annually. DOEE should complete this plan by September 30, 2024, publish the plan on its website, and transmit the plan to Council.

The bill requires DOEE to annually report on the Program's progress performing residential electrification retrofits, including the number completed each year and the number planned to be completed in the subsequent year. DOEE should post the report to its website and transmit it to Council beginning on January 1, 2025. The bill authorizes DOEE to issue rules establishing the Program, including rules that preserve the affordability of homes receiving retrofits.

The bill excludes any residential electrification retrofits completed as part of the Program from the definition of substantial improvement.<sup>5</sup> This ensures that no buildings supported through the Program are also required to meet net zero or other energy efficiency requirements associated with a substantial improvement. The bill also excludes benefits provided through the Program from the computation of District gross income.

The bill expands the membership of the Green Building Advisory Council (Advisory Council) from thirteen to fifteen by allowing the chairpersons of the Council committees that oversee building

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<sup>4</sup> Equity Impact Enterprise Establishment Amendment Act of 2020, effective December 3, 2020 (D.C. Law 23-149; D.C. Official Code § 2-218.02(8A)).

<sup>5</sup> A substantial improvement occurs whenever any repair, alteration, addition, or improvement costs at least 50 percent of the market value of the building structure.

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permit functions and DOEE to each appoint two members rather than one. The bill authorizes the Advisory Council to advise the Mayor on the equitable implementation of the Program.

The bill exempts any projects constructed through the Solar for All<sup>6</sup> program from being subject to the maximum 120 percent cap on electricity cost recovery when subscribed to an eligible community renewable energy facility (CREF).

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2024 through fiscal year 2027 budget and financial plan to implement the bill. DOEE is authorized to pay for residential electrification retrofits with SETF resources.<sup>7</sup> Based on DOEE's experience with retrofits in fiscal year 2024, the agency estimates that a retrofit costs approximately \$30,000 per household.<sup>8</sup> The Program will need to complete, on average, retrofits for 625 low-income households annually to meet the December 31, 2027 goal of 2,500 households. At that rate, retrofits will cost DOEE between \$18 million and \$19 million annually. The Program can also provide subsidized retrofits to moderate-income households. Depending on the demand for moderate-income retrofits, the total costs could be over \$20 million annually.

The Act that authorized DOEE to expend SETF resources on residential electrification retrofits also increased the surcharges paid by electricity and gas utilities. With those increases, the SETF will receive between \$60 and \$80 million annually over the four-year financial plan period. While portions of these funds are dedicated to the District's Sustainable Energy Utility, energy efficiency and solar programs, and other legislative mandates, DOEE expects to allocate between \$20 million and \$25 million to residential electrification retrofits in fiscal year 2025. Additional SETF resources beyond fiscal year 2025, combined with nearly \$60 million that DOEE expects to receive in federal funds under the Home Efficiency and Home Electrification and Appliance Rebate Programs,<sup>9</sup> are sufficient to fund the Program's needs over the four-year financial plan period.

The bill's provision to remove the 120 percent electricity cost recovery cap for Solar for All beneficiaries who are subscribed to a CREF will allow those beneficiaries to capture more of the benefits from the solar production than previously allowed. There is no impact on the District's budget to remove the cap for these beneficiaries.

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<sup>6</sup> Renewable Portfolio Standard Expansion Amendment Act of 2016, effective October 8, 2016 (D.C. Law 21-154; D.C. Official Code § 8-1774.16)

<sup>7</sup> Sustainable Energy Trust Fund Rightsizing Amendment Act of 2023, effective September 6, 2023 (D.C. Law 25-50; D.C. Official Code § 8-1774.10(23)).

<sup>8</sup> A retrofit could range from a few thousand dollars for some households to upwards of \$40,000 or \$50,000 for others, depending on the extent to which upgrades involve appliances, electrical capacity, and other related changes.

<sup>9</sup> The District has been allocated \$59,444,250 in formula funds under these programs which were authorized under the Inflation Reduction Act, effective August 16, 2022 (Public Law 117-169).