



VERMONT LEGISLATIVE
Joint Fiscal Office

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Fiscal Note

March 15, 2022

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**H.518 An act relating to the creation of
the Municipal Fuel Switching Grant
Program, Draft 1.3**

**As recommended by the House Committee on Energy and
Technology, with further recommendation by the House
Committee on Appropriations – Links below**

<https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20Energy%20and%20Technology/Bills/H.518/Drafts,%20Amendments,%20and%20Legal%20Documents/H.518~Rebecca%20Wasserman~As%20Recommended%20by%20House%20Committee%20on%20Energy%20and%20Technology~2-15-2022.pdf>

<https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20Appropriations/Bills/H.518/W~H.518%20-%20Municipal%20Fuel%20Switching%20Grant%20Program~As%20Recommended%20by%20House%20Committee%20on%20Appropriations~3-10-2022.pdf>

Bill Summary

This bill establishes a Municipal Energy Resilience Grant program to be administered by the Department for Buildings and General Services (BGS), in coordination with Efficiency Vermont, through the State Energy Management Program. The bill also expands the State Energy Management Program to allow municipalities access to the State Energy Revolving fund to finance energy efficiency improvements. The grants and loans to municipalities will aid in the replacement of fossil fuel heating systems with more renewable and efficient heating systems. As part of this process, BGS shall issue a request for proposal (RFP) to conduct a comprehensive energy resilience assessment of covered municipal buildings and facilities. The bill also creates four limited services positions at BGS to facilitate implementation of these programs.

Fiscal Impact

This bill appropriates \$48.4 million in FY23 from the American Rescue Plan Act (ARPA) Capital Projects Fund for the Municipal Energy Resilience Grant Program. It also allows for the Commissioner of BGS, with approval of the Secretary of Administration, to establish a fee for administrative costs to be paid by municipalities into the municipal energy evolving fund. The fiscal impact is unknown pending the establishment of the fee. In addition, the bill calls for the transfer of funds from the Department of Public Service (PSD) from funds in the Infrastructure Investment and Jobs Act (IIJA) to BGS for the Municipal

Energy Revolving Fund. See the appropriation details in the table below.

| H.518 - Municipal Fuel Switching Grant Program - FY23 Appropriations & Transfers | | | |
|--|--|---|--|
| | ARPA Capital Projects fund (\$'s in millions) | PSD - IIJA - Energy Efficiency Revolving Loan Fund | PSD - IIJA - Energy Efficiency & Renewable Energy Block grant |
| ACCD - Regional Planning Commissions - Technical Assistance to Municipalities (55% equally to RPCs, 45% based on # of municipalities served by RPCs) | \$2.4 | | |
| BGS - Assessments of Municipalities - Contractor | \$5.0 | | |
| BGS - Administrative Costs - 2 limited service positions - 3 years | \$1.0 | | |
| BGS - 2 limited service positions - 3 years - State Energy Mgmt Program - existing appropriations funded by Efficiency VT | | | |
| BGS - Grants to Municipalities | \$40.0 | | |
| Municipal Energy Revolving Fund | | \$0.8 | \$2.0 |
| TOTAL | \$48.4 | \$0.8 | \$2.0 |

Background and Details

Vermont’s Global Warming Solutions Act sets requirements for greenhouse gas emissions reductions. An important component of meeting the requirements in the Global Warming Solutions Act is transitioning heating systems to more renewable and efficient systems. This bill provides the resources and grant and loan opportunities to assist municipalities in these efforts. See below for section-by-section analysis.

Section 2: BGS shall issue an RFP for a contractor to conduct a comprehensive energy resilience assessment of covered municipal buildings and facilities. Covered municipalities mean a city, town, fire district or incorporated village, and all other government incorporated units. The assessment shall be completed by January 15, 2024. Covered municipalities, in coordination with a regional planning commission, shall submit applications to BGS to receive an assessment of its building and facilities. The bill includes the assessment criteria which include scope of work, cost, and timeline of completion for each building or facility, among other criteria. BGS shall established guidelines for municipalities to receive an assessment.

Section 3: This section establishes the Municipal Energy Resilience Grant program. BGS will administer the program in coordination with Efficiency Vermont, through the State Energy Management program. Awards will be granted for the following purposes:

1. To make recommendations to municipalities on the use of more efficient heating systems.
2. To make necessary improvements to reduce emissions by reducing fossil fuel usage and increasing efficiency in municipally owned buildings.

Grants will not exceed \$250,000 per municipality and can cover approved projects for weatherization, thermal efficiency, to supplement or replace fossil fuel heating systems with more efficient heating systems, and any other expenditures necessary for the project to be eligible for funding under federal law and guidance for the ARPA Capital Projects fund. In addition, not more than \$4,000 can be issued to each municipality to facilitate community meetings and communication about municipal energy resilience.

This section also details the grant program design elements. BGS shall consult with Efficiency Vermont, the Vermont League of Cities and Towns, regional planning commissions and experts in the field to design the program. BGS will also coordinate with any other State entities or agencies working with covered municipalities. Municipalities are only eligible for a grant if an assessment has been conducted on its facilities.

Section 4: This section establishes the appropriations from the ARPA Capital Project Fund in the amount of \$48.4 million. This is detailed in the table on page one.

Section 5: This section establishes the municipal energy loan program for BGS to provide financing to municipalities through the Municipal Energy Loan program for equipment replacement, studies, weatherization, construction of improvements affecting the use of energy resources, the implementation of energy efficiency and conservation measures, and the use of renewable resources. The section lays out the loan eligibility and criteria.

Section 6: This section establishes the municipal energy revolving fund and lays out the parameters for the fund and its management. It allows for the Commissioner of BGS, with approval of the Secretary of Administration, to fix a fee for administrative costs to be paid by municipalities. The fiscal impact is unknown pending the establishment of the fee. The bill also establishes an annual report beginning on January 15, 2023 from the Commissioner of BGS on the expenditure of funds from the Municipal Energy Revolving Fund.

Section 7: This section, to the extent permitted by federal law, transfers funds from the Department of Public Service (PSD) to BGS for the Municipal Energy Revolving Fund. The funds transferred are from IJA programs including the Energy Efficiency Revolving Loan Fund Capitalization Grant (\$800,000) and the Energy Efficiency and Renewable Energy Block Grant (\$2,000,000). PSD shall report on or before January 15, 2023 on the total grant amounts approved by the State and transferred to the Municipal Energy Revolving Fund.

Section 8: This section updates statute to expand the State Energy Management program.

Section 9: This section creates four limited-service positions at BGS. Two are part of the expanded State Energy Management program and will be funded by Efficiency Vermont. These positions shall be responsible for determining project eligibility, coordinating with regional planning commissions, and providing financing technical assistance for municipalities implementing projects.

The other positions will be funded by the \$1 million administrative appropriation from the ARPA Capital Projects fund and will administer the Municipal Energy Resilience Grant program.

Funding Considerations

This bill appropriates primarily from the ARPA Capital Projects fund. Based on review by the Joint Fiscal Office and Legislative Counsel, the functions are believed to be eligible uses of the federal funds. The bill also includes language that indicates that the programs will be within federal law guidelines so that the costs will be eligible uses of the ARPA Capital Projects fund.

The ARPA Coronavirus Capital Projects Fund only allows an explicit 5% administrative allowance though there is a process to request authorization beyond 5%. This bill contains some appropriations that likely have administrative components, but program design can be done to stay within the 5% administrative cap.