BUDGET/ECONOMY/TAXES

Why raiding Connecticut’s Energy Efficiency Fund is a bad idea

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As we try to address our state budget crisis, one option proposed by the Senate Republicans should be off the table: sweeping $136 million over the next two fiscal years from the utility ratepayer-funded Connecticut Energy Efficiency Fund to the state’s General Fund.

The Energy Efficiency Fund generates immense economic value for Connecticut. It brings billions of dollars in electricity and natural gas bill savings to residents and businesses, drives our growing clean energy economy, helps families reduce the difficult burden of high energy costs, and supplies significant state tax revenue by fueling private sector growth. This Fund is a good deal for Connecticut’s consumers.

Fund raid proponents say their proposal is a simple movement of taxpayer funds from a state program to the General Fund, i.e., moving money from one state pocket to another. In reality, this proposal would impose a new energy tax on consumers.

Energy efficiency programs are funded primarily through a small charge on electric and natural gas bills, not by any state taxes. These funds are an investment by utility consumers in energy efficiency programs, a wise investment as these programs save consumers money on electric bills multiple times over the cost of the investment. Redirecting these funds to the General Fund would take money collected from ratepayers for energy efficiency programs and give it to the state — creating an energy tax on ratepayers at the expense of cost-saving, job-boosting programs.

And, if that wasn't bad enough, the proposed cut is also severe – equal on an annual basis to about one-third of the Fund's current budget for electric efficiency. A cut of this magnitude would undermine Connecticut's nationally-acclaimed energy efficiency programs. Since 2010, these programs have generated about 27 billion kilowatt hours in lifetime energy savings—more than the annual generation of the Millstone nuclear power plant. These energy savings equal over $5.5 billion in savings on customers' energy bills. This is help consumers need.

The Fund raid would rob consumers of energy efficiency's tangible benefits. The lost bill savings alone would ultimately cost Connecticut's residents and businesses at least $640 million in lifetime bill savings, and perhaps more, since the proposed sweep would require deep cuts to statewide program services like energy audits for households and businesses, technical assistance to commercial and industrial customers, insulation upgrades, strategic energy management for large energy consumers, and efficient heating and cooling equipment installations.

The impact would fall hardest on the neediest households, which often struggle to manage Connecticut's high energy costs. Currently, income-eligible residents can qualify for free energy audits and other energy efficiency upgrades. About 12,000 low-income households received program help with weatherizing their homes and reducing their energy costs in 2016. A $136 million cut would put as many as 8,000 low-income households at risk of falling behind on their energy bills, while at the same time imposing a new regressive energy tax that would disproportionately burden this vulnerable population.

A raid of the Energy Efficiency Fund would also cripple Connecticut's clean energy economy. A 2017 U.S. Department of Energy report found that Connecticut's efficiency programs created nearly 34,000 jobs. We would see immediate job losses if proposed cuts were enacted. These job losses, combined with lost bill savings, would be felt statewide, as about $930 million in Gross State Product would be lost. That's new economic growth Connecticut sorely needs.

The proposed raid would also worsen the problem it's trying to solve, ironically enough. The proposed cuts, and associated job losses, would reduce revenue from state income and sales taxes by about $30 million dollars through FY 2019. And if energy efficiency activity collapses, which is possible due to the cut's severity, the total tax revenue lost over the next two fiscal years could be significantly more. Turns out, raiding the Energy Efficiency Fund just creates another budget hole.

In the end, a $136 million cut to our energy efficiency programs to help fill an unrelated state deficit will set Connecticut's clean energy economy back for years and transform a prudent investment with a strong return on investment for ratepayers into a harmful energy tax. We urge the General Assembly to reject this transparent budget gimmick. Connecticut's consumers deserve better.

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