

Testimony of Rewiring America on the 2025-26 Executive Budget Proposal

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Introduction

Rewiring America is the leading electrification nonprofit, focused on electrifying homes, communities, and businesses. We develop data and tools and build coalitions and partnerships to make going electric easier for households and communities. Rewiring America helps New Yorkers save money, tackle emissions goals, improve health, and build the next generation of clean energy workforce.

Rewiring America thanks the legislature for the opportunity to provide comments on the Executive Budget proposal for 2025-2026. In summary, we support the executive's proposals that would move New York forward with its electrification and clean energy targets such as the Sustainable Future Program, the Public Facilities Sustainability Program, the Inflation Reduction Act Elective Pay Program, and data sharing between DTF and DEC/NYSERDA. We also encourage the Legislature to include the NYHEAT Act in the enacted budget and to direct the governor to move forward without delay on the Cap and Invest program.

Sustainable Future Program (\$1 billion) (Capital Appropriation: Misc)

Governor Hochul is proposing that New York embark on the single-largest climate investment in the history of the state budget with \$1 billion in new funding towards achieving a more sustainable future.¹ This landmark investment will generate new jobs, help reduce household energy bills, and reduce harmful pollution and its impacts on our families and our health.

¹ <https://www.budget.ny.gov/pubs/archive/fy26/ex/book/briefingbook.pdf>

Building Sector electrification

The building sector is the largest source of greenhouse gas emissions in New York State.² The electrification of the building sector will be critical to meeting NY's GHG emissions limits under the Climate Act.³

Direct greenhouse gas emissions from buildings come from burning fossil fuels onsite, primarily for space and water heating. Decarbonizing building operations entails the reduction or elimination of greenhouse gas emissions from building end uses through energy efficiency improvements to reduce energy demand and through switching from equipment and systems powered by burning gas, oil, or other fossil fuels to highly efficient equipment powered by zero-emissions energy sources.

The building sector is the largest source of Greenhouse Gas Emissions in New York and building electrification is the most effective driver of direct emissions reductions.

The rapid adoption of high-efficiency heat pumps for heating and hot water will immediately and significantly reduce GHG emissions and other pollutants from buildings. Nationally, fully electrifying households will reduce air pollution by more than 300,000 tons of particulate matter and lead to health benefits totaling about \$40 billion each year, including the prevention of more than 3,400 premature deaths.⁴ Electrification of space and water heating with heat pumps is a viable approach to decarbonizing operations for all types of buildings in New York. Modern heat pumps that work in very cold weather are commercially available and able to keep homes and businesses safe and comfortable year-round.

State Financial Incentives for Building Electrification

New York's residential and commercial buildings sector encompasses over 6 million buildings, which are home to 7.4 million households. Nearly half (48%) of households statewide are low-to-moderate income households.⁵ A substantial infusion of both public resources and private capital will be

² DEC GHG inventory

³ Scoping Plan Integration Analysis

⁴ <https://www.rewiringamerica.org/research/home-electrification-health-benefits>

⁵ Climate Action Council Scoping Plan

needed to invest in the building upgrades necessary to decarbonize buildings, while also expanding access to safe and healthy housing and bolstering resilience to climate impacts. To meet the Climate Act's GHG emission reduction requirements, more than 250,000 housing units each year will need to adopt electric heat pumps and energy efficiency measures.⁶ To meet this pace of progress toward building electrification, NY will need to increase heat pump adoption tenfold from current market activity.

Annual investment costs for building upgrades are projected to grow over time from roughly \$5 billion in 2030 to \$30 billion in 2050, based on the incremental cost of building electrification and shell improvements made each year. This investment represents a small fraction of the approximately \$60 billion annually made in other building-related expenditures.⁷

By dramatically increasing financial incentives to lower the install costs of heat pumps and efficiency upgrades, New York can help more residents unlock the long-term returns of lower bills, improved comfort and reduced pollution.

The average installed cost for a heat pump for whole-home space heating and cooling paired with air sealing and insulation is estimated to be about \$21,000 for a cold climate air source heat pump and \$40,000 for a ground-source heat pump for an older single-family home.⁸ The health benefits from a single heat pump retrofit in New York for those same households would total about \$1,576 per year, or more than \$22,000 over the lifetime of the heat pump (about 14 years). This exceeds the total cost of the equipment and doesn't take into account other household benefits such as lower energy bills and improved comfort.⁹

New York needs to dramatically increase its financial incentives to encourage millions of homeowners to install heat pumps and make energy efficiency upgrades, such as sealing air leaks, adding insulation and using building controls.

⁶ Climate Action Council Scoping Plan

⁷ Climate Action Council Scoping Plan

⁸ Climate Action Council Scoping Plan

⁹ <https://www.rewiringamerica.org/research/home-electrification-health-benefits>

New York must use public funding to accelerate market adoption of heat pumps and to help low- and moderate-income (LMI) households to cover the upfront costs. The State should scale up direct incentives for the sealing of cracks and holes, insulation of attics and walls, replacement or repair of windows and outside doors, and mitigation of energy-related health and safety issues, additional energy efficiency upgrades, electrification readiness, and electrification with heat pumps.

Focus funding on Building Electrification

The enacted budget should focus more of the \$1 billion Sustainable Future Program funding on building electrification and streamline access to such funding. This could be done by narrowing the potential scope for which this funding could be used and eliminating duplicative approvals needed to access the funding.

Modifying the proposed Sustainable Future Program appropriation in the below manner will increase the total funding to two billion dollars which is appropriate for the level of investment needed to achieve NY's GHG reduction goals and will narrow the types of projects that will be funded through the appropriation. Additionally, because buildings are the largest source of GHG emissions and electrification is the most effective driver of direct emissions reduction, at least half of the total appropriation should be dedicated to providing homeowners with electrification incentives.

The appropriation language should be modified in the following manner:

For services and expenses of climate mitigation and adaption projects including **but not limited to:** reducing greenhouse gas emissions and pollution; **\$1,000,000,000 for** decarbonizing and retrofitting buildings; creating and utilizing renewable energy; advancing clean transportation initiatives; building, repairing, and maintaining thermal energy networks; for the design, construction, repair, or improvement of green infrastructure; and for purposes consistent with the **key strategies** ~~general findings~~ of the scoping plan prepared pursuant to section 75-0103 of the environmental conservation law; **subject to a plan approved by the director of the budget. Qualifying** ~~Pr~~ projects funded by this appropriation shall be subject to the same standards and provisions stated in section 224-f of the labor law and section 66-v of the public service law, and treated in the same manner as if funded from section 99-qq of the state finance law. Notwithstanding any other provision of law to the contrary, all or a portion of this appropriation may be transferred to state operations, aid to localities, or capital projects, and all or a portion of this appropriation may be transferred or suballocated to any state department, agency, public authority, or public benefit corporation...**24,000,000,000**

Public Facilities Sustainability Program (\$50 million) **(Capital Appropriation: Misc)**

The Governor proposes \$50 million to support New York's ongoing efforts to reduce its own GHG emissions. This continued investment will accelerate the State's decarbonization efforts and provide resources to initiate procurement practices that prioritize sustainable and climate-resilient design initiatives.¹⁰

On September 20, 2022, Governor Hochul signed Executive Order 22, "Leading by Example: Directing State Agencies to Adopt a Sustainability and Decarbonization Program" directing NY's agencies and authorities to comply with the Climate Leadership and Community Protection Act's requirement that they implement strategies to reduce their greenhouse gas emissions.¹¹

Unfortunately, neither the Climate Law nor Executive Order 22 provided funding to achieve these GHG reduction targets. Governor Hochul's proposal to provide State agencies and authorities with \$50 million to decarbonize state-owned facilities will help achieve these targets.

Rewiring America supports the \$50 million dollar appropriation, approval process, and reporting requirements proposed by the executive and encourages the legislature to accept the proposal and to add an additional \$50 million for a \$100 million total.

Inflation Reduction Act Elective Pay Program (\$10 million) **(Capital Appropriation: Misc)**

The Governor proposes investing in the critical opportunities to leverage federal funding made available under the federal Inflation Reduction Act of 2022 through the IRA's Elective Pay Program. Long-term tax credits will provide market certainty and make it easy to develop clean energy projects in NY to power the electrification of the building sector. IRA tax credits combined with LMI rebates together could reduce NY's cost of building electrification by \$7 billion or more.¹²

¹⁰ Executive Budget Briefing Book

¹¹<https://www.governor.ny.gov/executive-order/no-22-leading-example-directing-state-agencies-adopt-sustainability-and>

¹² Climate Action Council Scoping Plan

The IRA expanded clean energy tax credits to incentivize renewable energy deployment to support new high-quality jobs and strengthen domestic supply chains.¹³ In order to make clean energy tax credits more accessible the IRA created a new opportunity for tax credit monetization which is having a huge impact on clean energy financing through expanding the availability of capital.¹⁴ Specifically, this process allows New York State, NYPA or other tax exempt entities to claim the equivalent amount of tax credit in the form of a direct payment from the IRS. These “direct pay” clean energy tax credits enable NY, NYPA, and other NY-based tax-exempt organizations and municipalities to take advantage of clean energy tax credits for the first time.¹⁵ Now, schools, places of worship, states, and other non-taxpaying entities are benefiting from clean energy tax credits too, thanks to “direct pay.” Eligible entities across the country have already started reaping the benefits.

Direct pay has helped ensure that the benefits of clean energy development, including economic growth, decreased energy costs, and a healthier environment, reach communities that have historically passed over.¹⁶

The legislature should approve the executive’s proposed \$10 million appropriation to support New York’s efforts to take full advantage of this new innovative financing tool for the development of clean energy projects across the state.

Tax Disclosure for Climate Leadership and Community Protection Act Implementation (TED PART ZZ)

The Executive proposes to allow the Department of Taxation and Finance (DTF) to share certain data from the returns of petroleum or fossil fuel businesses with the Department of Environmental Conservation (DEC) or the New York State Energy Research and Development Authority (NYSERDA) for the necessary and effective implementation and enforcement of the Climate Law.

¹³<https://www.americanprogress.org/article/understanding-direct-pay-and-transferability-for-tax-credits-in-the-inflation-reduction-act/>

¹⁴<https://www.cbpp.org/blog/direct-pay-outcomes-highlight-clean-energy-benefits-but-threatened-cuts-pose-ri-sks>

¹⁵ <https://www.energy.gov/eere/solar/federal-solar-tax-credits-businesses>

¹⁶<https://www.cbpp.org/blog/direct-pay-outcomes-highlight-clean-energy-benefits-but-threatened-cuts-pose-ri-sks>

While the CLCPA requires DEC and NYSERDA to implement NY's Statewide greenhouse gas emissions limits and all other state agencies to promulgate regulations to achieve NY's GHG emissions limits, the law does not specifically authorize DTF to share relevant tax information with DEC and NYSERDA. Accordingly, the legislature should approve the executive's proposal for the proper and necessary implementation of the CLCPA.

NYHEAT

While the executive failed to include NYHEAT in her executive budget proposal, the Legislature should work to include NYHEAT in the enacted budget this year.

Currently, New York State law mandates the expansion and maintenance of natural gas pipelines and requires that ratepayers pay the cost of such infrastructure through their energy bills. This gas industry subsidy is driving up customer energy bills. New Yorkers should not continue to be required to build out gas pipelines when there are much more cost-effective ways to heat our homes, that bring down energy costs, are much healthier, and significantly reduce our GHG emissions.

Cap & Invest

The governor has delayed the rollout of New York's Cap and Invest program which was supposed to have approved regulations this year. The legislature should take action within the state budget to prevent the governor from delaying this vital revenue stream for climate action.

Conclusion

This concludes Rewiring America's comments on the Executive Budget proposal. We remain available for any follow-up questions. Thank you for your consideration.