

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 4700	Department Department of Community Services and Development (CSD)	Priority No.
Budget Request Name 4700-003-BCP-DP-2016-GB		Program 4180	Subprogram

Budget Request Description
 Funding to further support CSD's Low-Income Weatherization Program (LIWP)

Budget Request Summary

The Department of Community Services and Development (CSD) requests \$75 million from the Greenhouse Gas Reduction Fund (3228) in fiscal year 2016-17 to continue supporting the Low-Income Weatherization Program (LIWP) activities promoting greenhouse gas emission reductions in the residential sector and energy savings for low-income households. The \$75 million funding will be allocated to State Operations (\$4.7 million) and Local Assistance (\$70.3 million) to further support existing weatherization and solar programs benefiting low-income communities.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:		

If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Kathy Andry	<i>FOR Jim</i> 	Date 1/4/2016	Reviewed By Cindy Halverstadt		Date 1/4/2016
Department Director Linné Stout		Date 1/4/2016	Agency Secretary John Wordlaw		Date 1/4/2016

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA 	Date submitted to the Legislature 1/7/16
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Analysis of Problem

A. Budget Request Summary

CSD requests \$75 million from the Greenhouse Gas Reduction Fund (GGRF) in fiscal year (FY) 2016-17 to support the expansion of existing weatherization and solar programs that improve the energy efficiency performance of low-income residential dwellings to achieve further greenhouse gas (GHG) emission reductions. These funds will benefit low-income communities through weatherization measures and the installation of solar photovoltaic systems. The use of engineered assessment protocols will determine the installation of cost-effective measures such as insulation, weather-stripping, caulking, water heater blankets, fixing or replacing windows, refrigerator replacement, energy-efficient lighting upgrades, electric and gas water heater repair/replacement, low flow water devices, and heating and cooling system repair/replacement, to eligible low-income households in California. In addition, these funds will provide co-benefits to the state, such as reducing air pollution, improving public health, helping achieve air quality standards, reducing energy costs, and promoting economic stimulation and job creation.

With the resources requested, CSD will contract with vendors statewide, which will provide services to increase the energy efficiency of low-income, residential single- and multi-family dwellings. CSD's intent is to allocate all direct program funds to low-income communities, with 70-80 percent of funds available to projects within the disadvantaged communities identified by the California Environmental Protection Agency (CalEPA). Services provided by CSD will fall into two major categories: energy efficiency (weatherization) and renewable energy. All installed weatherization and renewable energy measures will support the Air Resources Board (ARB) Cap-and-Trade Auction Proceeds Investment Plan (Investment Plan) by reducing GHG emissions and expanding energy efficiency and clean, renewable energy generation to single- and multi-family residential housing.

B. Background/History

Implementation of the California Global Warming Solutions Act of 2006 (AB 32) includes measures that achieve real, quantifiable, cost-effective reductions of GHG emissions and return California to 1990 emission levels by 2020. Since 2006, the State has continued to steadily implement a set of actions that are driving down GHG emissions, cleaning the air, diversifying the energy and fuels that power our society, spurring innovation in a range of advanced technologies and improving natural resource health statewide.

These efforts have put California on course to achieve the 2020 emissions limit, and have created a framework for ongoing climate action that can be built upon to maintain and continue reductions beyond 2020. In addition to the near-term GHG emission reduction goals established in AB 32, mid-term and longer-term GHG emission reduction targets have been established in Executive Orders B-30-15 and S-3-05 to reduce greenhouse gas emissions by 40 percent below 1990 levels by 2030 and 80 percent below 1990 levels by 2050, respectively.

The ARB has developed a market-based Cap-and-Trade Program as a key element of its overall GHG reduction strategy. The program establishes a statewide emissions limit on the sources responsible for 85 percent of GHGs and creates a financial incentive for investment in clean and efficient technologies. The backbone of the Cap-and-Trade regulation is the system of tradable permits to emit GHGs known as "allowances." Because a market to exchange these allowances exists between entities, including those covered by the regulation, these allowances have value. Under the program, a portion of the allowances required for compliance are sold at auction. The first auction was held in November 2012, and auctions will be conducted quarterly through 2020.

The Greenhouse Gas Reduction Fund (GGRF -funded by the Cap-and-Trade Program generated Auction Proceeds, authorized by AB 32) has been established for the purpose of funding measures that allow California to achieve its GHG reduction goals, furthering the purposes of AB 32. The GGRF maintains the State's portion of Cap-and-Trade Auction Proceeds. The 2015 Budget Act appropriated \$1.4 billion from the GGRF to administering agencies supporting significant expansion

Analysis of Problem

of existing climate mitigation programs, and the creation of new programs, housed across 12 different state agencies. CSD was one of the recipient state agencies and received \$75 million in FY 2014-15 and \$78 million in FY 2015-16 to fund the LIWP to provide residential energy efficiency and solar renewable projects on low-income housing located within disadvantaged communities.

In addition, SB 535 (Chapter 830, Statutes of 2012) requires that twenty-five percent of GGRF funds are spent to benefit designated disadvantaged communities, and ten percent must be spent within disadvantaged communities. The legislation gives CalEPA responsibility for identifying the disadvantaged communities. CalEPA relies on the California Communities Environmental Health Screening Tool (CalEnviroScreen) to identify the disadvantaged communities. CalEnviroScreen is a tool that assesses all census tracts in California that are disproportionately burdened by and vulnerable to multiple sources of pollution.

Furthermore, AB 1532 requires the development of a three-year investment plan for Cap-and-Trade Auction Proceeds. The second investment plan, emphasized investments in existing programs in sectors which have the greatest GHG emissions (transportation, energy, waste and natural resources) with proposed investments commensurate with relative emissions. This proposal continues to align with the priorities identified in the Investment Plan by supporting energy efficiency, and clean and renewable energy generation projects, such as weatherization and solar programs.

Since July 1, 2014, CSD has focused on implementing LIWP and has adapted its current low-income weatherization programs to prioritize GHG reductions and incorporate reporting systems to support quantification of GHG reductions from weatherization and renewable energy projects. In March 2015, CSD completed program adaptation efforts and allocated LIWP funds to its network of local service providers (LSPs) covering all disadvantaged communities. CSD solicited new vendors to manage the responsibilities of delivering solar photovoltaic and large multi-family weatherization services to disadvantaged communities.

To achieve co-benefits promoting economic stimulation and job creation, CSD vendors have worked with workforce development agencies in the local disadvantaged communities to determine the best way to identify and employ low-income individuals for the purpose of project outreach and marketing, weatherization installation, solar installation and more.

Though CSD traditionally uses its federal funding received for the Low-Income Home Energy Assistance Program (LIHEAP) and Department of Energy Weatherization Assistance Program (DOE) to install weatherization measures, the Department has recognized the increased benefits of installing other clean and renewable energy technologies, such as solar. These projects not only have a significant impact on the reduction of household energy costs, but they also contribute to California's Renewables Portfolio Standard (RPS) (established in 2002 under Senate Bill 1078, accelerated in 2006 under Senate Bill 107, and expanded in 2011 under Senate Bill 2), one of the most ambitious renewable energy standards in the country. The RPS program requires Investor-Owned Utilities, electric service providers, and community choice aggregators to increase procurement from eligible renewable energy resources to 33% of total procurement by 2020. With the availability of programs like the CPUC's California Solar Initiative (CSI), CSD has been able to leverage with CSI incentives to install solar photovoltaic systems on low-income homes throughout California.

Analysis of Problem

Resource History (Dollars in thousands)

Program Budget	FY 10-11 (PY - 4)	FY 11-12 (PY - 3)	FY 12-13 (PY - 2)	FY 13-14 (PY - 1)	FY 14-15 (PY)
Authorized Expenditures					75,000
Actual Expenditures					9,288
Revenues					N/A
Authorized Positions					10.5
Filled Positions					6.5
Vacancies					4.0

C. State Level Considerations

On May 14, 2013, CalEPA in conjunction with the "Climate Action Team," consisting of representatives from 16 California State Departments and Boards and the Workforce Development Agency, released the Investment Plan. The plan evaluates opportunities for GHG emission reductions and identifies priority state investments to help achieve GHG reduction goals and yield valuable co-benefits, such as reducing air pollution, improving public health, and helping achieve air quality standards. According to the plan, "investment of the Cap-and-Trade Auction Proceeds brings both the opportunity and the responsibility to spend them well to further the objectives of AB 32. These objectives include reducing the emissions of GHG that contribute to climate change, as well as cutting other forms of air pollution, including in disadvantaged communities."

ARB has identified CSD as the entity to carry out the important mission identified by the Climate Action Team and the Investment Plan, based on CSD's 30 years of experience with making low-income homes throughout California more energy efficient through weatherization. There continues to be strong support for CSD to receive an appropriation of GGRF to install weatherization measures and clean and renewable energy generation in low-income communities.

Interagency Collaboration

CSD intends to work with state affordable housing agencies, including the Strategic Growth Council and California Department of Housing and Community Development, and non-profit organizations dedicated to providing affordable housing for low-income households. These efforts will identify opportunities to coordinate investments and increase funding efficiencies in serving the energy-related needs of low-income Californians and reducing GHG. CSD will also continue to collaborate with the CPUC and utilities to identify opportunities to foster program coordination and leverage resources to reduce program and administrative overlap and maximize benefits for households served.

D. Justification

Analyzing the low-income (defined at 200% of federal poverty) population, residential housing demographics and housing characteristics of the disadvantaged communities demonstrates that there is an abundant unmet need for energy efficiency and solar treatments. CSD estimates that there are approximately 1.7 million low-income households that reside in the disadvantaged communities. Additional opportunities exist to serve low-income households in other underserved areas. CSD plans to serve approximately 14,000 low-income households. CSD will expend \$75 million in GGRF to further support the expansion of existing weatherization and solar programs benefiting low-income communities, with 70-80 percent of funds to be available to projects within the disadvantaged communities.

A dedicated staff member has been hired to provide technical assistance and work directly with disadvantaged communities and other stakeholder groups. An ARB contractor currently serves as a

Analysis of Problem

first stop for community representatives and connects community representatives with this liaison. The position provides program-specific assistance for potential project applicants in disadvantaged communities. Assistance includes:

- (1) Respond to and assist potential applicants.
- (2) Provide program specific information as necessary.
- (3) Guide potential participants during the application preparation and submission process.
- (4) Provide program information as needed to ARB and any contracted entities acting on behalf of ARB to accomplish the purposes of this section.

CSD will continue to use a current position to serve as a program liaison and work with ARB and their contractor to improve disadvantaged communities and other stakeholder group's access and ability to compete for GGRF project funding.

While this proposal will provide for continuation of existing weatherization and solar services, CSD will utilize the additional funding to expand the opportunities for potential applicants by soliciting organizations through a competitive bid process to ensure access to GGRF funded projects and support the recruitment of organizations needed to optimize the expenditure of GGRF funding in low-income communities. CSD will continue to manage and monitor the expenditure of GGRF in keeping with ARB administrative requirements and to support the quantification of economic and climate impacts resulting from weatherization and solar projects funded by the GGRF.

E. Outcomes and Accountability

CSD will allocate \$4.7 million to State Operations to further support existing weatherization and solar programs. CSD also anticipates using the \$70.3 million in Local Assistance Funds from the GGRF to continue to install weatherization measures and solar systems on single- and multi-family dwellings in low-income residential buildings in low-income communities, and continue workforce development efforts by creating and retaining jobs.

The projected outcomes in the table below reflect a slightly lower rate of production in the first year to ensure sufficient time to complete a competitive bidding process and any other administrative requirements associated with a shift in our service delivery, which will likely include working with vendors that are not part of CSD's network of local service providers. In total, CSD estimates it will allocate \$23.9 million on single family weatherization, \$21.1 million on solar photovoltaics installation and \$25.3 million on multi-family weatherization and solar services.

Projected Outcomes

Workload Measure	FY 15-16 (CY)	FY 16-17 (BY)	FY 17-18 (BY+1)	FY 18-19 (BY+2)	FY 19-20 (BY+3)	FY 20-21 (BY+4)
Single-family Energy Efficiency		1,494	2241	2241		
Budget		\$5,976,000	\$8,963,000	\$8,963,000		
Solar Photovoltaics		439	659	659		
Budget		\$5,273,000	\$7,909,000	\$7,909,000		
Multi-Family Energy Efficiency and Renewables		1484	2227	2227		
Budget		\$6,327,000	\$9,490,000	\$9,490,000		

CSD will hire a consultant to perform a program evaluation at the end of the program to assess energy savings, workforce development and other associated co-benefits.

Analysis of Problem

F. Analysis of All Feasible Alternatives

Maintain LIWP funding at \$75 million. The proposed funding of \$75 million will render services to approximately 14,000 households.

G. Implementation Plan

Timeframe	Activity
July – September 2016	<ul style="list-style-type: none">• Receive funding.• Determine allocations for LIWP service components.• Review and select qualified bids.
October – December 2016	<ul style="list-style-type: none">• Finalize allocations for LIWP service components.• Utilize technology consultants to develop reports and design changes to user interfaces and data structures to collect information from LIWP providers to quantify GHG reductions.• Finalize contracts.• Continue working with workforce development partners to further job retention and creation.
January 2017 and forward	<ul style="list-style-type: none">• Conduct weatherization and solar assessments and installations.• Conduct on-going program monitoring and evaluation.

H. Supplemental Information

None

I. Recommendation

Maintain LIWP funding at \$75 million. CSD is currently administering the LIWP program to provide weatherization and solar services to low-income communities. Additional funding would allow CSD to further support the reduction of GHG emissions in low-income housing within the disadvantaged and other low-income communities.

BCP Fiscal Detail Sheet

BCP Title: Greenhouse Gas Emission Reductions through Energy Efficiency, Clean and Renewable Energy Generation – Low-Income Weatherization Program

DP Name: 4700-003-BCP-DP-2016-GE

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Salaries and Wages						
Earnings - Permanent	0	1,323	0	0	0	0
Earnings - Temporary Help	0	557	0	0	0	0
Total Salaries and Wages	\$0	\$1,880	\$0	\$0	\$0	\$0
Total Staff Benefits	0	872	0	0	0	0
Total Personal Services	\$0	\$2,752	\$0	\$0	\$0	\$0
Operating Expenses and Equipment						
5301 - General Expense	0	155	0	0	0	0
5302 - Printing	0	23	0	0	0	0
5304 - Communications	0	45	0	0	0	0
5320 - Travel: In-State	0	158	0	0	0	0
5322 - Training	0	88	0	0	0	0
5324 - Facilities Operation	0	311	0	0	0	0
5340 - Consulting and Professional Services - External	0	1,080	0	0	0	0
5346 - Information Technology	0	88	0	0	0	0
54XX - Special Items of Expense	0	70,300	0	0	0	0
Total Operating Expenses and Equipment	\$0	\$72,248	\$0	\$0	\$0	\$0
Total Budget Request	\$0	\$75,000	\$0	\$0	\$0	\$0

Fund Summary

Fund Source - State Operations						
3228 - Greenhouse Gas Reduction Fund	0	4,700	0	0	0	0
Total State Operations Expenditures	\$0	\$4,700	\$0	\$0	\$0	\$0
Fund Source - Local Assistance						
3228 - Greenhouse Gas Reduction Fund	0	70,300	0	0	0	0
Total Local Assistance Expenditures	\$0	\$70,300	\$0	\$0	\$0	\$0
Total All Funds	\$0	\$75,000	\$0	\$0	\$0	\$0

Program Summary

Program Funding						
4180 - Energy Programs	0	75,000	0	0	0	0

9900100 - Administration	0	2,155	0	0	0	0
9900200 - Administration - Distributed	0	-2,155	0	0	0	0
Total All Programs	\$0	\$75,000	\$0	\$0	\$0	\$0

Personal Services Details

	CY	BY	BY+1	BY+2	BY+3	BY+4
Salaries and Wages						
VR00 - Various	0	1,880	0	0	0	0
Total Salaries and Wages	\$0	\$1,880	\$0	\$0	\$0	\$0
Staff Benefits						
5150350 - Health Insurance	0	872	0	0	0	0
Total Staff Benefits	\$0	\$872	\$0	\$0	\$0	\$0
Total Personal Services	\$0	\$2,752	\$0	\$0	\$0	\$0