



# Air Resources Board



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Governor

TO: Leisa Maestretti  
Acting Deputy Director  
Legislation & Public Affairs  
California Department of Community Services & Development  
2389 Gateway Oaks Drive  
Sacramento, California 95833

FROM: Cynthia Marvin, Chief  
Transportation and Toxics Division

DATE: November 14, 2014

SUBJECT: GREENHOUSE GAS REDUCTION FUND: DEPARTMENT OF  
COMMUNITY SERVICES AND DEVELOPMENT EXPENDITURE  
RECORD FOR FISCAL YEAR 2014-15

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Thank you for submitting the final expenditure record (attached) on behalf of the California Department of Community Services & Development (CSD) on November 6, 2014, to satisfy the requirements of Senate Bill 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012) for expenditures from the Greenhouse Gas Reduction Fund (Fund). We appreciate the iterative consultation process with CSD staff on the development of this record to support expenditures from the Fund for weatherization and renewable energy programs.

This memorandum documents that Air Resources Board (ARB) staff concurred on November 6, 2014 that the attached record is consistent with the statutory requirements of Government Code Section 16428.9 and with ARB's expectations, as documented in the August 6, 2014 final ARB *Interim Guidance to Administering Agencies on Expenditure Record and Fiscal Procedures*.

The CSD Expenditure Record for Fiscal Year 2014-15, along with this memorandum, will be published on the ARB Cap-and-Trade Auction Proceeds website at: [www.arb.ca.gov/auctionproceeds](http://www.arb.ca.gov/auctionproceeds).

If you have any questions concerning this memorandum, please call me at (916) 324-0062 or via email at [Cynthia.Marvin@arb.ca.gov](mailto:Cynthia.Marvin@arb.ca.gov).

## Attachment

*The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.*

California Environmental Protection Agency

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**Greenhouse Gas Reduction Fund: Expenditure Record**

**Fiscal Year: 2014-15**

California Department of Community Services and Development  
 Low-Income Weatherization Program  
 2014-15 Expenditure Record to  
 Expend \$75 Million in Greenhouse Gas Reduction Funds

<p><b>Authorizing legislation</b></p>	<ul style="list-style-type: none"> <li>• Items 4700-001-3228 and 4700-101-3228 of the Budget Act of 2014 (Chapter 25, Statutes of 2014) includes \$75,000,000 from the Greenhouse Gas Reduction Fund (GGRF) for the Department of Community Services and Development (CSD) for Weatherization and Renewable Energy Projects.</li> </ul>
<p><b>Agency that will administer funding</b></p>	<ul style="list-style-type: none"> <li>• Department of Community Services &amp; Development (CSD) via the Low-Income Weatherization Program (LIWP).</li> </ul>
<p><b>Amount of proposed expenditure</b></p>	<ul style="list-style-type: none"> <li>• Per the Budget Act of 2014, the total \$75 million is appropriated as:             <ul style="list-style-type: none"> <li>○ \$70.3M for local assistance program costs, which are described below.</li> <li>○ \$4.7M for state agency administrative costs, which includes (consultant services for training and technical assistance, post-inspections, a statewide multifamily administrator and an economist).</li> </ul> </li> </ul>
<p><b>Intended recipients</b></p>	<ul style="list-style-type: none"> <li>• Private, nonprofit, and local government organizations.</li> </ul>
<p><b>Project category</b></p>	<ul style="list-style-type: none"> <li>• Energy Efficiency / Clean and Renewable Energy.             <ul style="list-style-type: none"> <li>○ Residential weatherization and solar installations.</li> </ul> </li> </ul>
<p><b>Type of projects that will be eligible for funding</b></p>	<ul style="list-style-type: none"> <li>• Weatherization, installation of photovoltaic (PV) systems, and installation of solar water heating systems for low-income single family dwellings and multifamily buildings located within disadvantaged communities.</li> </ul>

<p><b>Process for selecting projects for funding</b></p>	<ul style="list-style-type: none"><li>• Funding will be allocated to private, nonprofit, and local government organizations for single family and small multifamily weatherization, and single family solar hot water heater installation programs, located within disadvantaged communities. CSD will select projects using an award formula based on income, energy costs, and climate for a given area. Organizations will lead outreach efforts to promote awareness of the availability of LIWP services, and will target these services to income-eligible residents (households at or below 60% of State Median Income) within disadvantaged communities.</li><li>• Solar PV installation projects will be selected by a statewide administrator and will target income-eligible residents (households at or below 80% of Area Median Income) within disadvantaged communities that exhibit high-energy usage. These target recipients will benefit from the installation of clean, renewable energy generation systems on their homes. To provide for lower installation and maintenance costs, the solar administrator will direct solar improvements to locations where fund leveraging opportunities and other financing tools exist.</li><li>• While Program Guidelines are still under development, CSD anticipates the statewide administrator(s) would select large multifamily weatherization projects for buildings in disadvantaged communities via a Request for Information/Request for Proposal based on criteria that identify the projects that offer the most greenhouse gas (GHG) reductions and energy efficiency improvements. Example criteria include total building energy use, metering structure, building age, general building and mechanical system condition, tenant income qualification, and financial contributions from the property owner that minimize State-costs. CSD will further define these criteria in the Program Guidelines.</li><li>• All projects for each of CSD's program components will be located within disadvantaged communities.</li></ul>
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**Element 2: A description of how a proposed expenditure will further the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the limit established under Part 3 (commencing with Section 38550) and other applicable requirements of law.**

<p><b>How the expenditure is reflected in the three-year investment plan</b></p>	<ul style="list-style-type: none"><li>• Energy Efficiency and Clean Energy: AB 1532 requires that GGRF monies be appropriated in a manner that is consistent with the three-year Investment Plan. The 2013 Cap-and-Trade Auction Proceeds Investment Plan recommends that energy efficiency and clean energy sectors receive a significant allocation because the energy sector represents the second largest contributor to California GHG emissions. In addition, Appendix B of the Investment Plan describes and recommends projects areas, such as weatherization and clean renewable energy, for GGRF investments. Directly in line with the Investment Plan recommendations and priorities, CSD's energy efficiency and clean energy investments will improve energy efficiency, reduce GHG emissions, lower energy bills for low-income communities/families and increase safety within the homes of low income families.</li><li>• The First Update to the Climate Change Scoping Plan, released in May 2014, identified key strategies and recommendations to continue reducing GHG emissions and achieve the goals and purposes of AB 32. The recommended actions for the energy sector include continuing to enhance energy efficiency, increasing localized generation, and implementing smart-grid technologies.</li></ul>
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**Element 3: A description of how a proposed expenditure will contribute to achieving and maintaining greenhouse gas emission reductions pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code.**

<p><b>Expected time frame when reductions will be achieved and how expenditure will maintain GHG reductions</b></p>	<ul style="list-style-type: none"><li>• These expenditures will provide both immediate and long-term GHG emission reductions by reducing single and multi-family energy consumption. To calculate these benefits, CSD will work with ARB to develop GHG and co-benefit calculation and reporting methods over the next year. Once that guidance is complete, CSD and CSD's administrators will calculate and report on the benefits of the weatherization and solar investments.</li><li>• CSD anticipates that the single family and multifamily weatherization projects will reduce energy consumption and GHG emissions beginning in the first quarter of 2015 and that these projects will maintain GHG reductions for 10-20 years. CSD will refine the estimated useful life for energy efficiency measures being installed by utilizing a variety of sources such as the Database for Energy Efficient Resources (DEER), Department of Energy studies, CPUC papers and input from industry experts.</li><li>• CSD anticipates that solar PV installations will begin yielding GHG reductions in 2015, and continue to provide clean, renewable energy and long-term GHG reductions for 25 years. This expected project life is based on typical solar panel manufacturer warranty terms and will be updated as part of program implementation.</li><li>• CSD anticipates that solar hot water systems will begin yielding GHG reductions in 2015 and will provide long-term GHG reductions for 20 years, based on currently available product information. Project life estimates will be updated during implementation.</li></ul>
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**Element 4: A description of how the State agency considered the applicability and feasibility of other nongreenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.**

<p><b>Expected co-benefits, particularly environmental, economic, public health and safety</b></p>	<ul style="list-style-type: none"> <li>Weatherization, mechanical system upgrades, and solar PV and hot water installations will yield economic, environmental, and public health co-benefits. Investments will provide job training and employment opportunities to residents in these targeted areas, and investments will directly improve building comfort and may help cut energy costs for low-income residents in disadvantaged communities. Further, CSD’s weatherization installers perform substantial diagnostic testing, repair, and in some cases replacement of appliances, eliminating dangerous conditions brought on by exposure to indoor pollutants inherent in older, poorly maintained or malfunctioning mechanical equipment. The repair and diagnostics will be funded from leveraging dollars. Only projects that provide a GHG benefit will be funded from the LIWP.</li> </ul>
<p><b>Disadvantaged community benefits, if applicable, as defined in ARB guidelines</b></p>	<ul style="list-style-type: none"> <li>CSD will implement ARB’s interim guidance on investments to benefit disadvantaged communities and will provide upgrades for buildings that are located within a disadvantaged community. Investments will provide job training and employment opportunities to residents in these targeted areas and may help cut energy costs for low-income residents in disadvantaged communities. Investments will also directly improve building comfort and improve indoor air quality.</li> </ul>
<p><b>Percentage of total funding that will be expended for projects that benefit disadvantaged communities, per ARB guidelines</b></p>	<ul style="list-style-type: none"> <li>CSD will invest 100 percent of the total project dollars in disadvantaged communities. These investments will fund weatherization and solar projects that provide energy efficiency and economic benefits to low-income residents in disadvantaged communities. The non-project dollars will be used to support local and state administration functions necessary for program implementation.</li> </ul>
<p><b>How the project will support other AB 32 objectives</b></p>	<ul style="list-style-type: none"> <li>Weatherization, energy efficiency upgrades, solar PV and solar hot water system installations all reduce energy consumption and GHG emissions in a manner that directs investment to residents of disadvantaged communities.</li> </ul>

**Element 5: A description of how the State agency will document the result achieved from the expenditure to comply with Division 25.5 (commencing with Section 35800) of the Health and Safety Code.**

<p><b>Approach that will be used to document net GHG reductions before and after project completion. Include citations for references that support methodology.</b></p>	<ul style="list-style-type: none"> <li>• CSD will coordinate with ARB to estimate GHG reductions and co-benefits (e.g., energy savings) using standardized methodologies consistent with State GHG reduction efforts. CSD will collect pre-weatherization and post-weatherization dwelling and mechanical system data from the local providers and administrators through both an assessment tablet application and CSD’s weatherization reporting system. Data collected will be evaluated and used to estimate energy savings according to industry standard approaches, such as deemed savings, as developed by the Department of Energy and the California utility industry. CSD will report this data and supporting GHG reduction calculations to ARB as requested. Reporting timeframes are to be determined through discussion with ARB.</li> </ul>
<p><b>Type of information that will be collected to document project results, as described in ARB guidelines</b></p>	<ul style="list-style-type: none"> <li>• CSD and CSD administrators will collect data on project location, housing type, existing conditions and mechanical systems, and projected upgrades or replacements. CSD will work with ARB as specified in established guidelines to capture data and documentation required to support GHG emission reduction and energy savings calculations. A variety of sources to baseline energy usage and future energy usage will be used such as the Database for Energy Efficient Resources (DEER), Department of Energy studies, California Public Utilities Commission, and additional accepted measures.</li> </ul>
<p><b>How the agency will report on program status</b></p>	<ul style="list-style-type: none"> <li>• CSD will provide regular updates on expenditures, project status, and benefits in reports prepared according to ARB guidelines. At a minimum, the reports will include project location, expenditure amounts, current estimates of GHG emission reductions, and quantification of other applicable co-benefits (e.g., jobs created, units weatherized, solar systems installed, etc.).</li> </ul>