



Air Resources Board



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Edmund G. Brown Jr.
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TO: Leisa Maestretti, Chief Financial Officer
California Department of Community Services & Development
2389 Gateway Oaks Drive
Sacramento, California 95833

FROM: Cynthia Marvin, Chief
Transportation and Toxics Division

DATE:

SUBJECT: GREENHOUSE GAS REDUCTION FUND: DEPARTMENT OF
COMMUNITY SERVICES AND DEVELOPMENT EXPENDITURE
RECORD FOR FISCAL YEAR 2015-16 – LOW-INCOME
WEATHERIZATION PROGRAM

Thank you for submitting the final expenditure record (attached) on behalf of the Department of Community Services & Development (CSD) on October 18, 2016 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 the Low-Income Weatherization Program.

This memorandum documents that Air Resources Board (ARB) staff concurred on October 20, 2016 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 *Funding Guidelines for Agencies that Administer California Climate Investments*.

The CSD Expenditure Record for the Low-Income Weatherization Program for Fiscal Year 2015-16, along with this memorandum, will be published on the ARB Cap-and-Trade Auction Proceeds website at: www.arb.ca.gov/auctionproceeds.

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

Attachment

cc: See next page.

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

Greenhouse Gas Reduction Fund: Expenditure Record

Fiscal Year: 2015-16

**Department of Community Services and Development (CSD)
Low-Income Weatherization Program (LIWP)**

Authorizing legislation: Senate Bill 101, Chapter 321, Statutes of 2015 (chaptered September 22, 2015), amended the Fiscal Year (FY) 2015-16 Budget Act to appropriate \$78.773 million for the continuation of LIWP.

(1) A description of each expenditure proposed to be made by the state agency pursuant to the appropriation

<input type="checkbox"/> Agency that will administer funding	<ul style="list-style-type: none">▪ Department of Community Services and Development (CSD)
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Senate Bill 101, Chapter 321, Statutes of 2015 (chaptered September 22, 2015), amended the FY 2015-16 Budget Act to appropriate \$78.773 million for the continuation of the Low Income Weatherization program (LIWP), which is the total FY 2015-16 appropriation for LIWP. The total Local Assistance funds allocation (**\$74.7 million**) from this FY 2015-16 appropriation is to be distributed among new and existing program components, as described below:

<input type="checkbox"/> Amount of proposed expenditure and appropriation reference

- 1. New Program Components:** The following program components will require new FY 2015-16 guidelines:
 - a. Single-Family (SF) Energy Efficiency (EE) and Solar Water Heating: **\$34.64 M**
Would use new regional administrators
 - b. Single-Family (SF) Solar Photovoltaics (PV): **\$23.00 M**
Would use new regional administrators

- 2. Existing Program Components:** The following program components would continue to be implemented under FY 2014-15 guidelines, but may need supplemental funding from the FY 2015-16 appropriation:
 - a. Single-Family (SF) Solar Photovoltaics (PV): **\$10.93 M**
Will use existing solar PV provider
 - b. Large Multi-Family (LMF) Energy Efficiency and Renewables: **\$6.13 M**
Will use existing LMF provider

FY 2014-15 Program Guidelines will be updated as required to reflect any updates or new program requirements that existing providers will be required to follow (e.g. changes to CalEnviroScreen or ARB Funding Guidelines).

CSD will evaluate these allocations and production levels on an annual basis or more frequently to determine if performance estimates are being met and may adjust these allocations to best meet the goals of the Program.

<input type="checkbox"/> Estimated amount of expenditures for State agency administrative costs	<ul style="list-style-type: none"> ▪ The total expenditure includes \$4,073,000 for State Operations costs. ▪ In addition to State Operations costs, GGRF expenditures will include administrative costs for Regional Administrators and Local Providers. Limits on administrative costs will be specified in contract language.
<input type="checkbox"/> If applicable, identify laws or regulations that govern how GGRF funds will be used	<ul style="list-style-type: none"> ▪ In addition to the laws governing all Greenhouse Gas Reduction Funds (GGRF), Government Code Section 12087.5 provides direction on how CSD shall administer the LIWP Program.
<input type="checkbox"/> Continuation of existing Expenditure Record	<ul style="list-style-type: none"> ▪ The FY 2015-16 appropriation will be distributed among new and existing program components, as described above. For the existing program components, the appropriation would support a continuing program that will fund the same types of projects that have been previously funded under the FY 2014-15 Expenditure Record.
<input type="checkbox"/> Project category	<ul style="list-style-type: none"> ▪ Energy Efficiency and Clean Energy (Energy Efficiency Upgrades / Weatherization)
<input type="checkbox"/> Type of projects that will be eligible for funding	<ul style="list-style-type: none"> ▪ Weatherization and energy efficiency upgrades, Solar Water Heating, and/or Solar PV systems for single-family low-income households in Disadvantaged Communities (DACs). ▪ Weatherization and energy efficiency upgrades, Solar Water Heating, and/or Solar PV systems for multi-family low-income dwellings in DACs.
<input type="checkbox"/> Intended recipients	<ul style="list-style-type: none"> ▪ Agencies and organizations that provide services to low-income households in DACs

❑ Process for selecting projects for funding

- New Program Components: Funding will be allocated to agencies and organizations based on a competitive solicitation, evaluation and selection of service delivery providers/grantees, in accordance with new FY 2015-16 program guidelines.
 - Existing Program Components: If supplemental funding from FY 2015-16 is required to continue implementing projects under the FY 2014-15 program guidelines, CSD will make non-competitive allocations to service providers in the existing network, based on CSD's performance evaluation and capacity considerations.
 - Service providers and grantees will lead outreach efforts to promote awareness of the availability of LIWP services, and will provide these services to income-eligible residents and buildings within DACs. Providers identify households and buildings that may be candidates for upgrades, then evaluate those households and buildings for the most appropriate measures.
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(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.

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| <p>□ How the expenditure is reflected in the three-year Investment Plan and the Scoping Plan</p> | <ul style="list-style-type: none">▪ Energy Efficiency and Clean Energy: Assembly Bill (AB) 1532 requires that Greenhouse Gas Reduction Fund (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” (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 greenhouse gas (GHG) emissions. In addition, Appendix B of the Investment Plan describes and recommends project 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 health and safety within the homes of low-income families. For example, vulnerable populations such as the elderly who are more at risk for adverse health impacts due to extreme cold or heat can afford to use heating and cooling appliances when needed. Therefore, the expenditures covered by this record are consistent with the Investment Plan and align with the priorities expressed in the Investment Plan.
▪ The First Update to the Climate Change Scoping Plan 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. |
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(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.

<input type="checkbox"/> Describe how expenditures will achieve GHG reductions or net GHG benefits	<ul style="list-style-type: none">▪ These expenditures will provide both immediate and long-term GHG emission reductions by reducing direct on-site energy consumption and generating clean renewable energy for low-income households.
<input type="checkbox"/> Expected time frame when reductions will be achieved and how expenditure will maintain GHG reductions or net GHG benefits	<ul style="list-style-type: none">▪ Energy Efficiency and Solar Water Heating projects funded by this allocation will reduce direct on-site energy consumption and reduce GHG emissions starting in 2016. It is expected that these systems will maintain net GHG reductions for a period of 10-20 years, depending on the mix of measures installed.▪ Solar PV systems installed with this allocation will begin to yield net GHG reductions in 2016 and will continue to provide clean energy and long-term net GHG reductions for an expected project life of 25 years.

(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.

<input type="checkbox"/> Expected co-benefits, particularly environmental, economic, public health and safety, and climate resiliency	<ul style="list-style-type: none">▪ Weatherization and energy upgrades will yield environmental, public health, and economic co-benefits, including the protection of affordable housing in DACs. For example, LIWP can contribute project funds that can be combined with other financing and funding sources to support building upgrades for affordable housing projects at or nearing the end of their 15-year Low-Income Housing Tax Credit compliance period and being acquired or rehabilitated to achieve resyndication and the allocation of new tax credits. These projects will provide California jobs and job training for DAC residents through targeted recruitment and training programs. They will also cut energy costs for low-income residents and improve building comfort. Installing renewable energy systems and increasing household energy efficiency will improve air quality by reducing criteria pollutants and GHG emissions from energy production in California. For example, replacing older Heating/Ventilation/Air Conditioning systems with newer, cleaner models would benefit public health by reducing exposure to indoor air pollutants, such as carbon monoxide, associated with very old or poorly maintained heating units.
<input type="checkbox"/> How the project will support other AB 32 objectives	<ul style="list-style-type: none">▪ Weatherization, energy efficiency upgrades, solar PV and solar hot water system installations reduce direct on-site energy consumption. They also support other AB 32 objectives by helping to mitigate risks associated with climate change and expanding the use of renewable energy resources. LIWP also directs investment towards the most disadvantaged communities in California.
<input type="checkbox"/> Percentage of total funding that will be expended for projects that are “located within” and “provide benefits to” disadvantaged communities, per the criteria in Volume 2 of ARB’s Funding Guidelines	<ul style="list-style-type: none">▪ CSD will ensure that 100 percent of the total direct project dollars are expended on projects located within DACs. These investments will fund weatherization and solar projects that provide energy efficiency and economic benefits to low-income residents in DACs. The non-project dollars will be used to support local and state administration functions necessary for program implementation.

❑ Describe the disadvantaged community benefits and explain strategies the agency will use to maximize benefits

- Direct project expenditures will support projects that provide benefits for low-income households in DACs identified by the California Environmental Protection Agency (CalEPA). CSD allocations fund projects that meet the common economic need of DACs in ARB's Funding Guidelines, as identified by community advocates, of "reducing energy costs." Investment in multi-family projects also helps protect the availability of affordable housing in these communities by making it possible for buildings to meet requirements for the allocation of Low-Income Housing Tax Credits. These approaches will help maximize benefits and support efforts to meet, or exceed, statutory requirements for expenditures that benefit DACs.
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(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.

<input type="checkbox"/> How the agency will track and report progress to make sure projects are implemented per GGRF requirements	<ul style="list-style-type: none">▪ CSD will require funding recipients to maintain records and submit monthly production and expenditure reports, and quarterly cumulative production status and/or workforce development reports. In addition, CSD will conduct periodic reviews of providers and selected projects. This includes desk reviews of submitted reports; on-site follow-up and monitoring, including annual visits to access and review records; quality assurance inspections for a sample of completed projects; and audits. If a funding recipient does not perform in accordance with program requirements, the recipient will be subject to the remedies for non-performance, as identified in Program Guidelines and/or provider contracts.
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<input type="checkbox"/> Approach that will be used to document net GHG reductions before and after project completion. Include citations for references that support methodology	<ul style="list-style-type: none">▪ CSD will calculate the net GHG reductions and energy savings expected and achieved from projects using ARB approved quantification methodologies.
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<input type="checkbox"/> Type of information that will be collected to document project results, as described in ARB guidelines	<ul style="list-style-type: none">▪ CSD will collect data on project location, baseline and estimated energy usage, types of upgrades installed, expected project life, energy savings, and other data as specified in ARB's Funding Guidelines.▪ To determine workforce development benefits, CSD will compile data from funding recipients, including: the number of people who completed job training or received industry-recognized certifications; residence location of job/training recipients; number of project hours provided; wage data; and other reporting requirements as identified in the Funding Guidelines (Table 3.A-16).
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<input type="checkbox"/> How the agency will report on program status	<ul style="list-style-type: none">▪ CSD will provide regular updates on expenditures, project status, and co-benefits in reports prepared according to ARB's Funding 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. job training participants).
