SENATE COMMITTEE ON APPROPRIATIONS
Senator Anthony Portantino, Chair
2021 - 2022 Regular Session

SB 560 (Rubio) - Climate Pollution Reduction in Homes Initiative: grants

Version: May 4, 2021
Urgency: No
Hearing Date: May 17, 2021

Policy Vote: E., U., & C. 11 - 0
Mandate: No
Consultant: Ashley Ames

Bill Summary: This bill would establish the Climate Pollution Reduction in Homes Initiative to provide grants for local service providers to provide financial assistance to low-income households for the purchase of zero-carbon-emitting appliances.

Fiscal Impact:

- Unknown, likely significant ongoing costs (unspecified funding source) for the Department of Community Services and Development (CSD) for program design and analysis, development of technical standards, monitoring, reporting, and other grant management responsibilities. CSD notes that estimating specific costs for the bill as currently written is difficult as it does not specify a funding level or number of grants to be administered under the program.
- The CEC estimates ongoing costs of about $150,000 annually (Energy Resources Program Account [ERPA]) to provide technical assistance to CSD.
- Unknown but likely significant cost pressure (unspecified funding source) to provide funding for financial assistance under the program established by this bill.

Background: There are several existing energy assistance programs to help low-income residents and households. These include:

- *Energy Savings Assistance (ESA) Program.* The ESA Program is one of the state's oldest energy assistance programs, with origins in a 1983 decision by the CPUC, and one of the key assistance programs administered by the state's four largest investor-owned energy utilities. The ESA Program offers no-cost energy efficiency measures and non-energy benefits for income-qualified households. Services provided include attic insulation, energy-efficient refrigerators, energy-efficient furnaces, weather-stripping, caulking, low-flow showerheads, water heater blankets, and door and building envelope repairs that reduce air infiltration. In providing these energy efficiency and weatherization measures, the ESA Program is able to help low-income families reduce energy consumption and optimize a more efficient use of energy, while improving quality of life and comfort. Both participating and non-participating ratepayers fund the ESA Program via a surcharge on electric and gas utility bills.

- *Low-Income Home Energy Assistance Program (LIHEAP).* LIHEAP is a federally funded program administered through the California Community Services and Development Department (CSD) and its network of local government and nonprofit providers. LIHEAP provides one-time emergency utility bill assistance for eligible customers of any electric or gas utility in the state. The LIHEAP also provides some weatherization assistance, although more limited than the ESA Program.

- *Weatherization Assistance Program (WAP).* The United States Department of Energy's WAP is administered by CSD and its network of providers in California. WAP helps reduce energy usage and costs by providing services intended to improve energy efficiency in the homes of eligible low-income households.

- *Other Energy Assistance Programs.* In addition to the programs noted above, there are additional assistance programs to help low-income customers. Most notably, in previous years, the state has also provided funding for energy assistance programs, through the greenhouse gas reduction fund (GGRF), for a Low-Income Weatherization Program (LIWP) also administered by CSD and which largely provide solar installations on eligible homes. The CPUC also administers a number of programs that provide financial assistance, in many cases for solar other distributed energy resources including energy storage batteries, with some funding targeted at low-income or disadvantaged communities. These programs include: the Self Generation Incentive Program (SGIP) and Solar on Multifamily Affordable Housing.

- *SB 1477 BUILD and TECH programs.* SB 1477 makes available $50 million annually for four years, for a total of $200 million, derived from the revenue generated from the GHG emission allowances directly allocated to gas corporations and consigned to auction as part of the California Air Resources Board's (CARB's) Cap-and-Trade program. The CPUC decision appropriates 40 percent of the $200 million budget for the BUILD Program and 60 percent for the TECH Initiative.The BUILD Program is administered by the CEC with CPUC oversight. Per the CPUC direction, the CEC should aim to design the BUILD Program with the goal to deploy near-zero emission building technologies in the largest number of new residential housing units possible. To achieve that aim, at least 30 percent of the total $200 million in total funding authorized by SB 1477 (i.e., $60 million) is appropriated for new low-income residential housing under BUILD Program.

Proposed Law: This bill would:

1. Establish the Climate Pollution Reduction in Homes Initiative, and require CSD, in consultation with CEC, to administer the initiative to provide grants for local service providers to provide financial assistance to low-income households for the purchase of zero-carbon-emitting appliances.

2. Define "low-income household" as a person or family with a household income at or below 60 percent of the statewide median income.

3. Specify criteria for which appliances, which may include water heaters, stoves and cooking appliances, home heating and cooling systems, refrigerator and freezers, and washers and dryers, are eligible for financial assistance.

Related Legislation:

SB 756 (Hueso, 2021) would define "low-income customers" for the purposes of eligibility for the ESA Program to mean low-income persons or families with household income at or below 250 percent of federal poverty level, instead of the current 200 percent of federal poverty.

SB 1035 (Rubio, 2020) would have established the Climate Pollution Reduction in Low-Income Homes Initiative. The bill would have required the CEC to administer the initiative to provide grants to eligible entities to provide financial assistance to low-income households for the purchase of low-carbon-emitting appliances. The bill died in the Senate Committee on Energy, Utilities and Communications.

SB 1477 (Stern, Chapter 378, Statutes of 2018) required the CPUC, in consultation with the CEC, to develop and administer a program to require gas corporations to provide incentives for near-zero and zero-emissions building technologies to significantly reduce the emissions of GHGs from those buildings below the minimum projected emissions that would otherwise be expected to result from the implementation of the state's building standards.

Staff Comments: As currently drafted, this bill does not note the funding source for the proposed grant program. In conversations with the author's office and sponsor, they both expressed a hope that funds would be appropriated from either a future bond or as part of the budget, perhaps including new federal funds, General Fund, or Greenhouse Gas Reduction Fund (GGRF).

Additional CSD costs. CSD notes that administration and oversight of loan disbursements by local service providers is outside the current scope of CSD's existing greenhouse gas emission reduction and energy efficiency programs and would require separate systems of oversight and monitoring to ensure disbursements are in accordance with program rules and accounting requirements. The cost to develop these separate systems of oversight and monitoring would have additional unknown costs.

CSD also notes that it would have additional costs for administrative and executive staff, accounting and fiscal oversight, legal analysis and evaluation, executive management review, program design, implementation, and ongoing administration. Additionally, CSD would utilize consultant contracts in the following areas, but not limited to: technical consulting, energy audit training and analysis, and third-party quality assurance.

ERPA Structural Deficit. The CEC's main funding source, the Energy Resources Program Account (ERPA), has a significant structural deficit. The ERPA was established to provide funds for ongoing energy programs and energy projects, including the operations of the CEC. The ERPA fund is supported by a statutory surcharge on electricity consumption. The surcharge was increased to its statutory maximum - from $0.00029 to $0.0003 per kilowatt-hour (kWh) - by the CEC effective January 1, 2019. The surcharge generated approximately $67.5 million in 2017-18 and costs the average household $2.01 annually.

ERPA is in a structural deficit that has overspent revenues by more than $17.4 million since 2014-15. The structural deficit results from the CEC's growing role in implementing aggressive climate policies that reduce electricity consumption thereby reducing ERPA revenues. California has the lowest per capita electricity usage in the nation - 44 percent lower than the average - due in part to the Energy Commission's efficiency and behind-the-meter solar programs. Even as revenues drop, ERPA is repeatedly tapped to support new programs and must cover increases in employee compensation and benefit contributions.

The committee may wish to consider whether additional spending from ERPA is prudent at this time.

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