



Legislative Fiscal Bureau

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August 4, 2009

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Administration: Request for Increased Expenditure Authority for Federal Energy Efficiency and Conservation Block Grant Stimulus Funding -- Agenda Item XXII

REQUEST

The Department of Administration requests increased expenditure authority of \$11,743,000 FED in 2009-10 in the appropriation under s. 20.505(1)(mb) to appropriate Energy Efficiency and Conservation Block Grant (EECBG) funds allocated to the state under the federal American Recovery and Reinvestment Act (ARRA) of 2009.

BACKGROUND

The ARRA appropriated \$3.2 billion in funding for the U. S. Department of Energy (DOE) for formula based EECBG awards to local units of government, states, Indian tribes, and territories. The purpose of the EECBG program is to assist eligible entities in creating and implementing strategies to:

- a. Reduce fossil fuel emissions in a manner that is environmentally sustainable and, to the maximum extent practicable, maximizes benefits for local and regional communities.
- b. Reduce total energy use of the eligible entities.
- c. Improve energy efficiency in the building sector, the transportation sector, and other appropriate sectors.

DOE indicates that entities may develop various initiatives and projects to address one or more of the purposes, and each activity that an entity undertakes is not required to meet all of the stated purposes. DOE encourages entities to develop many different new and innovative approaches

within the framework of the legislation and guidance to serve these purposes. However, the entities are required to use the funds in a cost-effective manner that is of maximum benefit to the population of that entity, and in manner that will yield continuous benefits over time, in terms of energy and emission reductions.

Wisconsin is allocated \$11,743,000 in EECBG funds in 2009-10. The funds will be used as follows:

- a. \$7,045,800 to retrofit municipal buildings with energy efficient windows, insulation, HVAC (heating, ventilating, and air conditioning, climate control systems), and solar hot water.
- b. \$2,382,700 for municipalities to replace existing lights with energy efficient LED (light-emitting diode), or other energy-efficient lighting technology.
- c. \$2,314,500 for outreach and education through two methods: (1) the development of "25 x '25" plans (generate 25% of electricity and 25% of transportation fuels by 2025) in Wisconsin communities; and (2) the development of outreach and education efforts and activities that are widely available to the public.

The maximum award for municipal buildings retrofit and energy efficient lighting projects will be \$225,000. The maximum grant for outreach and education will be \$500,000.

The municipal building retrofit and energy-efficient lighting awards will be administered through a memorandum of understanding (MOU) between the Office of Energy Independence (OEI), the Department of Commerce, and the Department of Administration (DOA). Under the MOU, OEI acts as the primary grant recipient and liaison between the state and DOE, Commerce will support the award programs through the existing Community Development Block grant (CDBG) system, and DOA will provide administrative support. OEI and Commerce will provide coordinated services for outreach and education activities.

Funding for municipal building retrofit and energy-efficient lighting will be distributed through a competitive bid process limited to non-entitlement CDBG communities. Entitlement communities will receive EECBG grants directly from the federal government. Under federal provisions, entitlement communities are cities that have a population of at least 35,000, or that are one of the ten highest populated cities in the state. Entitlement communities are also counties with a population of 200,000, or a county that is one of the ten most populated in the state. Attachment I provides a listing of EECBG entitlement communities in Wisconsin. All other towns, villages, cities, and counties in Wisconsin would be eligible to apply to the Department of Commerce for municipal building retrofit and energy-efficient lighting grants. Local governmental units will be able to apply for either or both types of grants on a single application. Applicants that participate in the Energy Independent Communities initiative and/or that can demonstrate a commitment to reduced energy consumption will receive preference in application evaluations. (Energy Independent Communities are communities that make a commitment to achieve 25 x '25 goals).

Applicants may also receive preference if: (a) the community can demonstrate the ability to leverage funding; and (b) the proposed project is ready to begin on receipt of the funding.

OEI staff will administer the municipal building retrofit and energy-efficient lighting grants program through the CDBG e-Grant technology system developed by Commerce. All contract monitoring and oversight will be conducted by Commerce staff. Municipal building retrofit and energy-efficient lighting grant administrative activities will include: (a) developing information and application materials; (b) conducting workshops; (c) reviewing and ranking applications; (d) training to grantees for contract implementation; and (e) monitoring contract performance. Grantees will receive training for record keeping, reporting, environmental regulations, bidding and procurement, and compliance with state and federal laws. OEI will be primarily responsible for administering outreach and education grants.

ANALYSIS

The Energy Independence and Security Act of 2007 (EISA) includes a list of eligible activities for the use of EECBG funds. Additional activities may be eligible pending approval by DOE, and, as a result, the list in the federal act is not an exhaustive list of eligible activities. The following are included as eligible activities:

- a. Development of an Energy Efficiency and Conservation Strategy. Entities may use a grant to develop and/or implement a strategy for energy efficiency and conservation, and to carry out activities to achieve the purpose of the program.
- b. Technical Consultant Services. Entities may retain technical consultant services to assist in developing of an energy efficiency and conservation strategy, including the formulation of energy efficiency, energy conservation, and energy use goals; identification of strategies to achieve those goals through efforts to increase energy efficiency, reduce fossil fuel emissions, or reduce energy consumption through investments, or by encouraging behavioral changes. Entities may develop methods to measure progress in achieving the goals. Entities may develop and publish annual reports to the population served that describe the strategies and goals, and progress made in achieving them during the previous year.
- c. Residential and Commercial Building Energy Audits. Entities may provide support for the conduct of residential and commercial building energy audits.
- d. Financial Incentive Programs. Entities may establish financial incentive programs and mechanisms for energy efficiency improvements, such as energy saving performance contracting, on-bill financing (no, or low, interest loans paid through a monthly utility bill), and revolving loan funds.

e. Energy Efficiency Retrofits. Grants may be made to nonprofit organizations and governmental agencies for the purpose of retrofitting existing facilities to improve energy efficiency.

f. Energy Efficiency and Conservation Programs for Buildings and Facilities. Entities may develop and implement energy efficiency and conservation programs for buildings and facilities within the jurisdiction of the entity. The range of activities includes the design and operation of the programs; the identification of the most effective methods for achieving maximum participation and efficiency rates; public education; measurement and verification protocols; and identification of energy efficient technologies.

g. Development and Implementation of Transportation Programs. Entities may develop and implement programs to conserve energy used in transportation, including but not limited to: employee flex time programs; promoting use of satellite work centers; development and promotion of zoning guidelines or requirements that promote energy efficient development; development of infrastructure such as bike lanes and pathways and pedestrian walkways; synchronization of traffic signals; state/local/regional integrated planning activities (i.e. transportation, housing, environmental, energy, land use) with the goal of reducing greenhouse gas emissions and vehicle miles traveled; incentive programs to reduce commutes by single occupancy vehicles; improvements in operational and system efficiency of the transportation system such as implementation of intelligent transportation system (ITS) strategies; idle-reduction technologies and/or facilities to conserve energy, reduce harmful air pollutants, and greenhouse gas emissions from freight movement; and installation of solar panels on interstate rights-of-way to conserve energy in highway operations and maintenance activities.

h. Building Codes and Inspections. Entities may develop and implement building codes and inspection services to promote building energy efficiency.

i. Energy Distribution. Entities may implement distributed energy resource technologies that significantly increase energy efficiency, including: district heating and cooling systems; combined heat and power systems; cogeneration systems; energy storage systems; absorption chillers; desiccant humidifiers; micro turbines; and ground source heat pumps.

j. Material Conservation Programs. Entities may implement activities to increase participation and efficiency rates for material conservation programs, including source reduction, recycling, and recycled content procurement programs that lead to increases in energy efficiency.

k. Reduction and Capture of Methane and Greenhouse Gases. Entities may use grant funds to purchase and implement technologies to reduce, capture, and, to the maximum extent practicable, use methane and other greenhouse gases generated by landfills or similar waste related sources, such as wastewater treatment plants, operations producing food waste, dairy farms and other animal operations.

l. Traffic Signals and Street Lighting. Entities may use grant funds to replace traffic signals and street lighting with energy efficient lighting technologies, including light emitting diodes; and any other technology of equal or greater energy efficiency.

m. Renewable Energy Technologies on Government Buildings. Entities may use grant funds to develop, implement, and install on or in any government building of the eligible entity onsite renewable energy technology that generates electricity from renewable resources, including solar energy; wind energy; fuel cells; and biomass.

n. Any Other Appropriate Activity. Entities may submit any other appropriate activity for approval in the Energy Efficiency and Conservation Strategy.

OEI conducted a survey of municipalities in Wisconsin to identify priority areas where EECBG funding would have the largest impact in terms of cost savings, reduction of greenhouse gas emissions, job creation and preservation. The survey identified the three priorities which formed the basis of the proposed state EECBG programs: (a) retrofitting municipal buildings; (b) replacing lighting systems with energy-efficient systems; and (c) providing education and outreach. The municipal building retrofit grants conform to EECBG eligible activity e. -- energy efficient retrofits. The energy efficient lighting grants conform to EECBG eligible activity l. --traffic signals and street lighting, although it will include interior lighting. Outreach and education assistance conforms to EECBG eligible activity n. -- any other appropriate activity.

DOE is currently reviewing the OEI application for EECBG funds.

ALTERNATIVES

1. Approve the Department of Administration's request to provide increased expenditure authority of \$11,743,000 FED in 2009-10 in the appropriation under s. 20.505(1)(mb) to appropriate Energy Efficiency and Conservation Block Grant (EECBG) funds allocated to the state under the federal American Recovery and Reinvestment Act (ARRA) of 2009.

2. Deny the request.

Prepared by: Ron Shanovich
Attachment

ATTACHMENT

EECBG Entitlement Communities and EECBG Allocations

<u>Communities</u>	<u>EECBG Formula Allocation</u>
Cities	
Appleton	\$689,800
Beloit	157,500
Brookfield	191,600
Eau Claire	655,700
Fond du Lac	187,500
Franklin	142,800
Green Bay	1,003,000
Greenfield	145,800
Janesville	618,500
Kenosha	902,500
La Crosse	542,100
Madison	2,384,600
Milwaukee	5,839,100
New Berlin	166,400
Oshkosh	634,100
Racine	795,000
Sheboygan	209,300
Waukesha	657,400
Wausau	183,900
Wauwatosa	220,000
West Allis	<u>576,200</u>
Subtotal	\$16,902,800
Counties	
Brown	\$612,000
Dane	2,267,000
Marathon	374,000
Milwaukee	732,400
Outagamie	492,300
Racine	457,500
Walworth	420,700
Washington	524,400
Waukesha	2,217,900
Winnebago	<u>413,700</u>
Subtotal	\$8,511,900
Total Entitlement	\$25,414,700