
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

**Senator Steven Bradford, Chair
2023 - 2024 Regular**

Bill No: SB 306 **Hearing Date:** 4/10/2023
Author: Caballero
Version: 3/30/2023 Amended
Urgency: No **Fiscal:** Yes
Consultant: Nidia Bautista

SUBJECT: Climate change: Equitable Building Decarbonization Program: Extreme Heat Action Plan

DIGEST: This bill makes changes to the direct install program approved in last year's budget as part of the Equitable Building Decarbonization Program and codifies the Extreme Heat Action Plan.

ANALYSIS:

Existing law:

- 1) Requires the State Energy Resources Conservation and Development Commission (also known as the California Energy Commission (CEC)) to establish the Equitable Building Decarbonization Program, which includes establishing a statewide incentive program for low-carbon building technologies and the direct install program to fund certain projects, including installation of energy efficient electric appliances, energy efficiency measures, demand flexibility measures, wiring and panel upgrades, building infrastructure upgrades, efficient air conditioning systems, ceiling fans, and other measures to protect against extreme heat, where appropriate, and remediation and safety measures to facilitate the installation of new technologies. (Public Resources Code §25665 et seq.)
- 2) Authorizes the CEC to administer the direct install program through regional direct install third-party implementers, as specified. Requires that the direct install program give preference to projects in buildings that meet specified criteria. (Public Resources Code §25665.3)
- 3) Appropriated \$1.12 billion from the General Fund for purposes of the Equitable Building Decarbonization Program. (Budget Act of 2022)
- 4) Establishes the Integrated Climate Adaptation and Resiliency Program (ICARP) to be administered by the Office of Planning and Research (OPR) in the

Governor's office to coordinate regional and local efforts with state climate adaptation strategies to adapt to the impacts of climate change, as prescribed. (Public Resources Code §71354)

- 5) Requires, by July 1, 2024, and every three years thereafter, the Natural Resources Agency to update the state's climate adaptation strategy. (Public Resources Code §71153)

This bill:

Relevant to the direct install program

- 1) Expressly requires the CEC to award grants through the program.
- 2) Requires the CEC to give preference to projects in buildings in regions of the state where residents are disproportionately vulnerable to climate impacts or disruptions, including extreme heat, wildfires, or poor air quality.
- 3) Requires the direct install program, in addition to reducing greenhouse gas emissions (GHG), to take into consideration the health, safety, and comfort of the residents eligible under the program.
- 4) Authorizes the CEC, to the extent possible, to allow for the leveraging of complementary programs to maximize potential benefits for an eligible resident.

Relevant to the Extreme Heat Action Plan

- 5) Requires the office and the Natural Resources Agency, on or before July 1, 2024, and every three years thereafter, in consultation with relevant state agencies, to update the Extreme Heat Action Plan to promote comprehensive, coordinated, and effective state and local government action on extreme heat, as provided.
- 6) Requires the Extreme Heat Action Plan and subsequent updates to be posted on the internet website of OPR and provided to the relevant fiscal and policy committees of the Legislature.
- 7) Requires all state agencies identified in the Extreme Heat Action Plan to collaborate with the office and the agency to assist in the implementation of the plan and subsequent updates and post on their internet websites a summary of actions they have taken to implement the plan and subsequent updates.

Background

GHG emissions from the building sector. According to the California Air Resources Board (CARB), residential and commercial buildings are responsible for roughly 25 percent of California's GHG emissions when accounting for electricity demand, fossil fuels consumed onsite, and refrigerants. Of the 25 percent, roughly 10 percent of emissions are attributable to fossil fuel combustion, including natural gas, with residential buildings accounting for slightly more of those emissions than commercial buildings. However, CARB has noted that these emissions numbers can vary from year-to-year.

Reducing GHG emissions from the building sector. There are several strategies that can be employed to reduce GHG emissions from the building sector, these include: improved energy efficiency of buildings and appliances, reducing carbon emissions from fossil fuel sources, ensuring cleaner sources of energy to operate buildings and associated appliances, addressing methane leaks, and others. CARB has noted that refrigerants used for space-cooling and refrigeration systems also contribute directly to building-related GHG emissions and these are a growing source of GHGs from buildings which must also be reduced. The Climate Change Scoping Plan identifies actions to reduce GHG emissions from the building sector, including progressively improving building codes and standards, pursuing voluntary efforts to exceed code requirements, and completing existing building retrofits.

Equitable Building Decarbonization Program. The Equitable Building Decarbonization Program was established in budget trailer bill, AB 209 (Committee on Budget, Chapter 251, Statutes of 2022) with the goals to reduce GHGs related to the building sector. The program has two components: a direct install program and a statewide incentive program for low-carbon building technologies. The direct install program provides minimal or no-cost retrofits to low- and moderate-income households, with preference given for buildings located in under-resourced communities, or owned or managed by a California Native American tribe or a member of a California Native American tribe. The retrofits include installation of energy efficient appliances, energy efficiency measures, demand flexibility measures, wiring and panel upgrades, building infrastructure upgrades, efficient air conditioning systems, ceiling fans, and other measures to protect against extreme heat, where appropriate, and remediation and safety measures to facilitate the installation of new technologies. The statute defines low- and moderate-income residents as those persons and families whose income does not exceed 120 percent of area median income, adjusted for family size, in accordance with the U.S. Department of Housing and Urban Development (HUD). As an example, the income range within the state would mean that a family of four would meet this definition with an annual income of \$96,350 or less in Fresno County and an annual

income of \$199,200 or less in Marin County. The statute also authorizes the direct install program to include tenant protections for participating rental properties. The CEC held a scoping workshop on December 13, 2022 on implementing the program and solicited comments on four broad categories: program criteria, third-party implementers, direct install measures, and the statewide incentive program. Many stakeholders have submitted comments on these issues.

Funds appropriated in 2022, proposed to be reduced in 2023. The State Budget Act of 2022 appropriated over \$1 billion from the General Fund for the Equitable Building Decarbonization Program, specifically allocating \$112 million for the program for its first year, and roughly \$900 million is budgeted over the next four fiscal years. However, in light of changing state budget conditions, the Governor's January 2023 Budget proposes reducing the funding to 91 percent, maintaining approximately \$835 million for support of projects reducing GHG emissions in homes and advancing energy equity. The CEC preliminarily proposes to allocate 66 percent of total funds to the direct install program.

Extreme heat. Per the Extreme Heat Action Plan:

Extreme heat refers to temperatures that are well above normal conditions, and extreme heat events are consecutive unusually hot days and nights for a given area. Different regions of our state experience extreme heat differently; some areas accustomed to hot temperatures are experiencing very hot conditions while other areas that have been historically cool are experiencing warmer temperatures. Increasing temperatures also impact people differently. For vulnerable people, including older populations, children, and those with certain health conditions, and for people with limited or no access to cooling or shade, extreme heat can be dangerous – even deadly. Heat ranks amongst the deadliest of all climate-driven hazards in California, and heat waves in cities are projected to cause two to three times more heat-related deaths by mid-century.

Protecting Californians from Extreme Heat: A State Action Plan to Build Community Resilience published April 2022 by the Office of Governor Newsom. The Extreme Heat Action Plan outlines a strategic and comprehensive set of state actions to address extreme heat, and serves as an update to the *Preparing California for Extreme Heat Guidance and Recommendations* report released in 2013. Actions in the plan are organized into four tracks – (A) Build Public Awareness and Notification; (B) Strengthen Community Services and Response; (C) Increase Resilience of Our Built Environment; and (D) Utilize Nature-Based Solutions. The 2022 Action Plan outlines California's all-of-government approach to mitigating the health, economic, cultural, ecological, and social impacts of increasing average

temperatures and heat waves. It constitutes California's response to what has become known as "extreme heat" and accompanying "extreme heat events."

SB 306. This bill proposes to include additional criteria to the preferences for the location of the eligible buildings for purposes of the direct install program. Specifically, the bill adds buildings located in a region where residents are disproportionately vulnerable to climate impacts or disruptions, including extreme heat, wildfires, or poor air quality. The inclusion of this language adds to the existing preferences for buildings: located in under-resourced community, owned or managed by a California Native American tribe, and owned by a member of a California Native American tribe. The author intends to help support residents that experience extreme heat and other climate disruptions to benefit from the direct install program. This is further underscored by the inclusion of language to take into consideration the health, safety, and comfort of the residents. One of the issues contemplated by the CEC is whether the program should include eligible measures that mitigate impacts from extreme heat, wildfires, or local air pollution (e.g. installing a heat pump heating and cooling system in a home that previously did not have an air conditioner). This bill would imply that these measures would be eligible. Given the continued challenges with the frequency and intensity of all three climate impacts, providing opportunities to better protect residents from these harms may be warranted. However, the challenge will be to provide the intended impact of the program. While the funding amount for the program is significant, it is a small amount as to the overall need to provide investments for existing buildings. As such, the program will be able to cover only a fraction of the millions of eligible homes.

Amendments. *The author and committee may wish to amend this bill to: add reporting requirements to the Legislature as to the progress, implementation, and effectiveness of the program; and limit the layering of funding from this and other programs to no more than the total cost of the measures.*

Re-referral. Should this bill pass out of this committee, it will be re-referred to the Senate Committee on Rules.

Prior/Related Legislation

AB 209 (Committee on Budget, Chapter 251, Statutes of 2022) among its many provisions, establishes the Equitable Building Decarbonization Program, including a direct install program to fund the installation of measures to reduce GHGs from buildings.

AB 179 (Ting, Chapter 249, Statutes of 2022) Budget Act of 2022 appropriates \$1.12 billion for the Equitable Building Decarbonization Program.

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.

FISCAL EFFECT: Appropriation: Yes Fiscal Com.: Yes Local: No

SUPPORT:

Climate Resolve
Marin Clean Energy

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: According to the author:

Our climate is changing, and with devastating consequences. While California has made many investments in programs that combat climate change and rising temperatures, the average Californian living in areas affected by extreme heat is unlikely to experience relief for many years to come. According to research compiled at Public Policy Institute of California, “extreme heat events will become more frequent, more severe, and longer in duration”. Exposure to extreme heat can cause existing health problems to become worse, including respiratory and heart conditions, or can bring on serious illnesses, such as heat stroke. Last year, \$1.1 billion was allocated to establish a Decarbonization Program at the California Energy Commission, a portion of which will be dedicated to the Direct Install Program to provide minimal to no cost energy efficiency upgrades for low to moderate income residents. SB 306 seeks to update the program to include more structured qualifications to ensure funding is prioritized for those who need it the most- those in extreme heat areas, who are lower income, and otherwise would not be able to make home modifications that will help reduce their energy costs and the drag it creates on grid sustainability. This bill also codifies the state’s Extreme Heat Action Plan with required updates every three years to ensure strategies for mitigation to heat impacts are successfully implemented.

-- END --