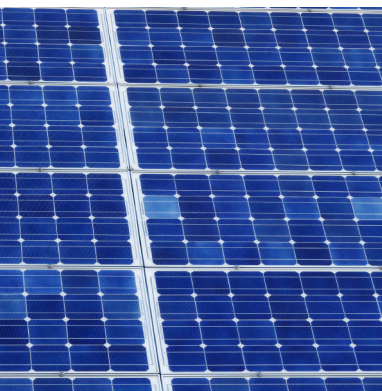


**ICMA**

**Knowledge Network**



# Local Government and the Implementation of the Energy Efficiency and Conservation Block Grant Program (EECBG)

*Leaders at the Core of Better Communities*

## PREPARED BY

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- Social Networking and Knowledge Exchange—Within an open environment, ability to network and exchange ideas with a worldwide community of experts in local government and topics related to local government.
- Partnering—A partnership of the ICMA, the Alliance for Innovation and the School of Public Affairs at Arizona State University, the Knowledge Network is designed as a shared resource. Via open architecture, local governments, groups, organizations and affiliated associations will be provided seamless access, interaction and knowledge exchange. The Knowledge Network actively seeks new partners providing pathways to fresh, engaging content and new user audiences.
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# Local Government and the Implementation of the Energy Efficiency and Conservation Block Grant Program (EECBG)

## Executive Summary

To stimulate a stagnant economy, the United States government passed the American Recovery and Reinvestment Act of 2009 which will spend \$787 billion, including \$61 billion in funds for energy investments. Local governments are vital to implementing some of these energy investments, especially with the Federal Government's **Energy Efficiency and Conservation Block Grants (EECBG)**, and this ICMA report will assist local government professionals to successfully use the EECBG funds.

Readers will learn about:

1. The basics of EECBG grants.
2. How local governments can apply for them, including the required EECBG paperwork and population requirements.
3. How the Department of Energy's (DOE) Office of Weatherization and Intergovernmental Programs reviews EECBG applications and how they monitor EECBG projects and funds.
4. The DOE approved 13 EECBG best practices.
5. The reasons for the delays in awarding EECBG grants and funds, which include the Davis Bacon act, the Buy American provisions, and local government problems such as budget shortfalls, layoffs, hiring freezes, and furloughs.

As a part of this report, ICMA staff researched how local governments are using EECBG funds and identified the City of Brooklyn Park, MN and the City of Fremont, CA as two local governments that have had success in using these funds. Readers can learn from these success stories to implement EECBG projects in their communities, and if they want to see Brooklyn Park and Fremont's EECBG documents, the paper provides a link to these resources which are located in ICMA's Knowledge Network.

## Introduction

The purpose of the American Recovery and Reinvestment Act of 2009 (ARRA), also known as the Recovery Act, was to spur investment and was to create and sustain jobs and position the U.S. economy for increased economic activity and long-term growth. The \$787 billion stimulus includes Federal tax cuts, expansion of unemployment benefits and other social welfare provisions, and domestic spending in education, health care, and infrastructure, including the energy sector. As part of the money awarded to the energy sector, ARRA provided funds to the **Energy Efficiency and Conservation Block Grant (EECBG)**, a Federal program that targets the energy sector.

The EECBG, authorized in Title V, Subtitle E of the Energy Independence and Security Act of 2007 (EISA) and signed into Public Law (PL 110-140) on December 19, 2007, provides funds to state, local, tribal, and territorial governments. These funds develop and implement projects that improve energy efficiency and reduce energy use and fossil fuel emissions in their communities.

The EECBG is a newly funded block grant, and the distribution of EECBG block grants is as follows: states 24%, cities and counties 59%, competitive 15%, and Indian Tribes 2%. Approximately 2,300 cities, counties, and Native American tribes were designated to receive a block grant to develop and implement projects to improve energy efficiency and reduce energy use and fossil fuel emissions in their communities. (DOE p.2)

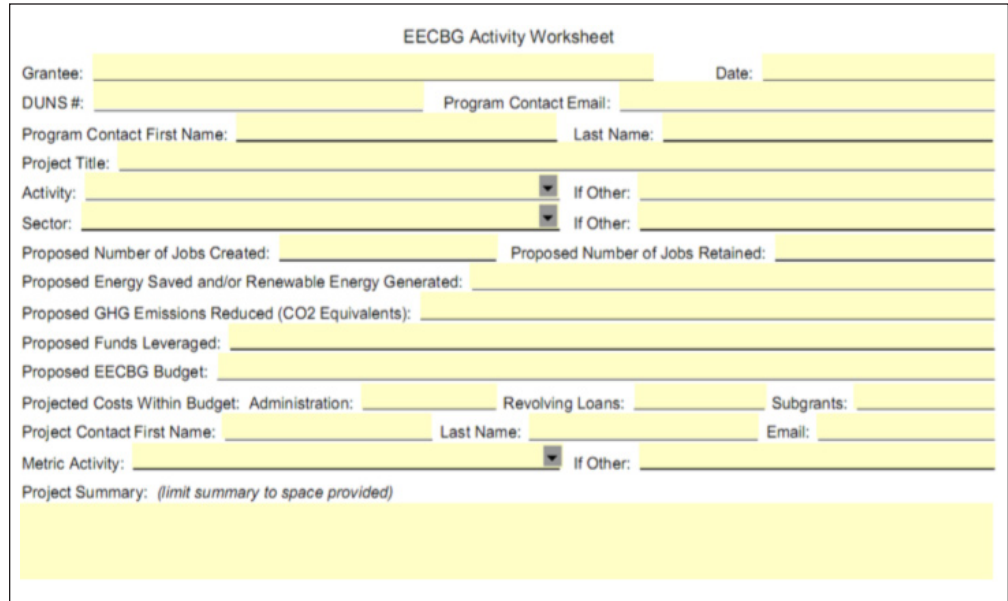
## Initial Submission

EECBG recipients are required to submit a plan to the Office of Weatherization and Intergovernmental Programs (WIP) in the Office of Energy Efficiency and Renewable Energy (EERE) of the U.S. Department of Energy (DOE). Every plan is reviewed by a team from EERE and if approved, it is then forwarded to a National Environmental Policy Act (NEPA) officer for

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**Figure 1: EECBG Activity Worksheet**

NAESCO, <http://www.naesco.org/resources/arra/>, attachment B1



The image shows a form titled "EECBG Activity Worksheet". The form is divided into several sections for data entry. The top section includes fields for "Grantee:", "Date:", "DUNS #:", and "Program Contact Email:". Below this are fields for "Program Contact First Name:" and "Last Name:". The next section is for "Project Title:", "Activity:" (with a dropdown menu and "If Other:" field), and "Sector:" (with a dropdown menu and "If Other:" field). The following section contains "Proposed Number of Jobs Created:", "Proposed Number of Jobs Retained:", "Proposed Energy Saved and/or Renewable Energy Generated:", "Proposed GHG Emissions Reduced (CO2 Equivalents):", "Proposed Funds Leveraged:", and "Proposed EECBG Budget:". The next section is for "Projected Costs Within Budget:" with sub-fields for "Administration:", "Revolving Loans:", and "Subgrants:". This is followed by "Project Contact First Name:", "Last Name:", and "Email:". The final section is for "Metric Activity:" (with a dropdown menu and "If Other:" field) and a large text area for "Project Summary: (limit summary to space provided)".

compliance review and approval.<sup>1</sup> Figure 1 is a copy of the EECBG Worksheet that grantees are required to submit.

### Desktop Monitoring

After receiving initial approval, Grantees will be monitored by the EERE with their standard periodic desktop monitoring practices. Desktop monitoring examines Grantee reports to assess progress and determine compliance with Federal rules and regulations, goals and objectives of the grant as stipulated in the approved plan, and the reporting and fiscal tracking of resources expended by the Grantee and its sub-grantees. (DOE p.7) Grantees will also be required to comply with any reporting requirements that are mandated by ARRA, such as the National Historical Preservation Act (NPHA) and the wage requirements as spelled out under the Davis Bacon Act.<sup>2</sup>

Desktop monitors will review Grantees' periodic reports on expenditures and activities. These reviews will focus on three criteria:

1. Desktop reviews will be conducted by the Monitors to identify any deficiencies in reporting, such as delinquent reports. Where discrepancies exist between planned activities and actual accomplish-

ments reported, the Monitor will conduct a follow-up with the Grantee to determine cause and future actions to correct the discrepancy. These findings will be reported to the Project Officer.

2. Submission of desktop checklist results by the Monitor will also be used to report substantive problems that require resolution, such as failure to make sufficient progress over time. These results will be provided to the Project Officer and Contracting Officer. Together they will identify and implement corrective actions.
3. The Desktop Monitor will identify any areas of concern or discrepancies and will submit a monitoring report of these concerns or deficiencies to the Grantee, EERE/OWIP and the Contracting Officer. (DOE p.7)

Some critics of the EECBG program have asserted that the approval and monitoring processes are overly cumbersome, resulting in a severe restriction of the flow of funds from the Federal Government to grantees. This assertion will be examined in another portion of this report.

### Formula for Awards

The current funding for the EECBG is \$3.2 billion with \$2.8 billion distributed by formula and \$400 million awarded on a competitive basis to grant applicants. The eligible entities are state, local, and tribal governments. The EECBG Program was established in

<sup>1</sup> Where necessary, recipients will be provided technical assistance if plans are found to be deficient in some manner. (DOE p.3)

<sup>2</sup> The role of desktop monitors will adjust as revised Recovery Act reporting guidance becomes available from OMB and/or DOE from time to time. (DOE p.7)

the Energy Independence and Security Act of 2007 (EISA), but was not previously funded. Local governments that receive grants are required to take into account plans by adjacent local governments using Federal funds; they should also coordinate and share information with the state. To determine which local governments can receive funds directly, there are some population based criteria, and they include: cities with a population of at least 35,000, counties with a population of at least 200,000, or cities and counties that are among the 10 highest populated cities and counties in the state.<sup>3</sup>

The funds are allocated according to the following criteria: 68% to local governments of a certain size, 28% to states (states are required to give at least 60% of their funding to cities and counties not receiving direct formula funding), and 2% to tribal governments. (Figure 2)

## Approved Activities

The DOE has compiled a list of Project Resources and Best Practices that includes 13 different approved activities. These are explained in detail on the DOE’s EECBG website:

- *Residential and Commercial Building Energy Audits*—assist state and local governments in developing effective building energy audit projects;

linked to specific energy efficiency and renewable energy applications, such as the ENERGY STAR Portfolio Manager energy benchmarking tools.

- *Energy Efficiency and Conservation Strategy*—ambitious energy efficiency and greenhouse gas reduction goals require long-term strategic planning to effect lasting market transformation for energy efficiency; the first step is the development of an energy efficiency and conservation plan which becomes the road-map for detailing priorities, setting goals, and establishing objectives.
- *Material Conservation Programs*—hiring a resource conservation manager enhances the effectiveness of the program and helps ensure that the energy efficiency and materials conservation goals of the program are met.
- *Reduction and Capture of Methane and Greenhouse Gases*—using technologies to reduce, capture, and, to the maximum extent practicable, use methane and other greenhouse gases generated by landfills or similar waste related sources.

3 Smaller cities can receive funding through coordination with their state government. Competitive funding (\$400M) will give priority to local governments located in states with populations of less than 2,000,000 and to projects that would result in significant energy efficiency improvements or reductions in fossil fuel use. (Alliance, <http://ase.org/content/article/detail/5481>)

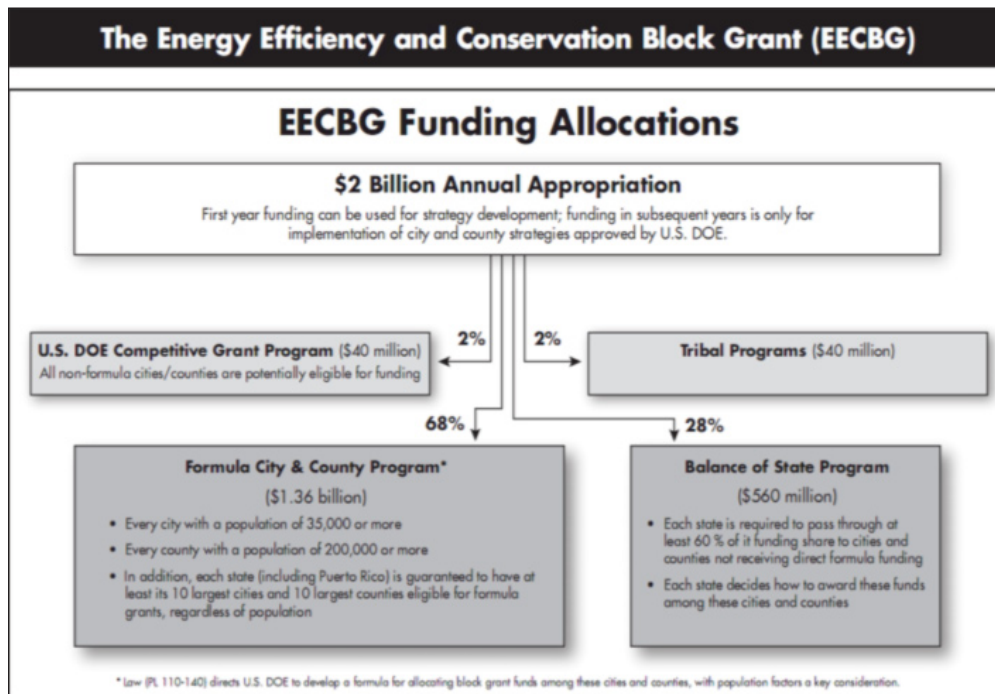


Figure 2: EECBG Funding Allocations



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- *Energy Efficiency Retrofits*—revitalizing the infrastructure of cities, counties, and tribal governments by stimulating new green-growth in existing buildings, on streets, and within government facilities; homeowners and businesses can benefit from the program as well.
- *Energy Distribution Technologies*—developing incentives to implement combined heat and power applications which will, over the long term, effect energy efficiency and improve renewable energy systems.
- *Renewable Energy Technologies on Government Buildings*—renewable energy technologies such as solar, wind, biomass or fuel cell energy are eligible for development and installation on or in any government building of a grantee.
- *Energy Efficiency and Conservation Programs for Buildings and Facilities*—developing and implementing programs for designing, building, and operating energy efficient government, commercial, and residential buildings and facilities.
- *Financing for Energy Efficiency and Renewable Energy*—financing tools that fund energy improvements to buildings; homes, offices, schools, and other facilities.
- *Traffic Signals and Street Lighting*—traffic signals have a significant impact on electric energy consumption, as well as fuel consumption for private citizens.
- *Building Codes and Inspections*—adopting building energy codes to ensure that new construction or renovation projects are built to include energy efficiency; training building professionals in energy code compliance and energy efficiency.
- *Technical Consultant Services*—providing additional expertise to establish or build upon an initiative, and to successfully implement those plans.
- *Development of and Implementation of Transportation Programs*—creating community-regional transit-oriented programs; for example, the establishment of zoning guidelines or requirements that promote energy efficient transportation systems. (DOE; EECBG; <http://www1.eere.energy.gov/wip/solutioncenter/default.html>)

Many types of projects qualify for EECBG funding, and to assist program users, the DOE provides an EECBG Worksheet and technical assistance. DOE also provides an Estimated Expected Benefits Calculator to help determine jobs created/retained through the use

of different components of the EECBG.<sup>4</sup> However, local governments are still finding it difficult to navigate the process and make use of these funds.

### Delays and Challenges

In July 2009, the Government Accountability Office (GAO) released a report about state and local government use of ARRA funds, and it explains some of the problem. The Congressional Budget Office (CBO) suggested that about \$49 billion would be outlaid to states and localities by the Federal Government in fiscal year 2009, which runs through September 30. However, more than 90 percent of Federal outlays has been provided through the increased Federal Medical Assistance Percentage (FMAP) grant awards and the State Fiscal Stabilization Fund administered by the Department of Education (GAO, p. 4). A breakdown of ARRA spending for fiscal year 2009 is shown in Figure 3 (p. 5).

So, EECBG is part of the remaining 13% along with dozens of other programs. Simply put, it has not been a top priority, as of yet. With a spending package of this unprecedented size, common sense tells us that there will be a lag in allocating all of the funds. As the EECBG Program has not been pegged as a top priority, it is only natural that there will be delays.

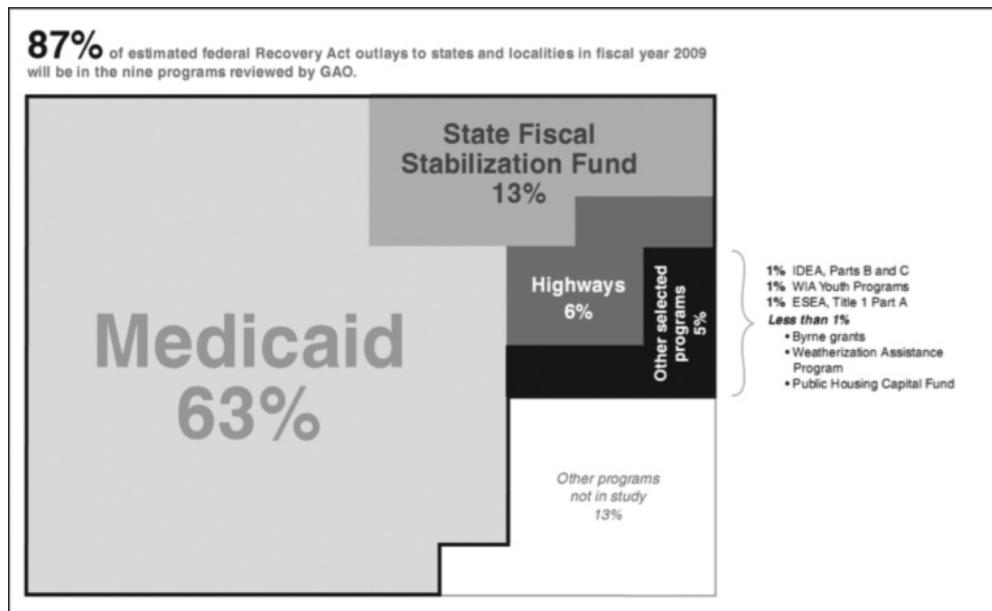
On behalf of the National Governors Association (NGA), Michele Nellenbach, NGA's Natural Resources Committee Director, testified that the ARRA compliance procedures for the EECBG Program, as well as the State Energy Program (SEP) and Weatherization Assistance Program (WAP), are overly cumbersome and are hindering the release of funds to local governments. Nellenbach reminds us that the three main goals of ARRA are to: spend the money quickly, create jobs, and maintain full transparency and accountability when spending taxpayer dollars. (p. 2) Adherence to the third goal adversely affects the first two.

An example of this is the ARRA requirements of complying with Davis Bacon and other government contracting rules.

In addition, although SEP and WAP had always been exempt from Davis Bacon prevailing wage requirements and Buy American procurement provisions, ARRA required recipients of SEP, WAP and EECBG funds to comply with both provisions. These new and existing requirements, especially when com-

<sup>4</sup> EECBG Estimated Expected Benefits Calculator; <http://www1.eere.energy.gov/solutioncenter/applicationresources/>

**Figure 3: Programs in July Review, Estimated Federal Recovery Act Outlays to States and Localities in Fiscal Year 2009 as a Share of Total**



bined with unprecedented levels of funding and ARRA's objectives of accountability and transparency, required the Department of Energy (DOE) to establish new program guidelines before states could fully implement the programs. (Nellenbach, p. 3)

Before states and localities could even begin the application process, the DOE had to create a brand new set of rules and guidelines. Several Federal agencies and non-profit public interest groups have expressed frustration with the delay in issuing these rules and guidelines. The International City/County Management Association, the National Conference of State Legislatures, the National League of Cities, the U.S. Conference of Mayors, the National Association of Counties, and the Council of State Governments, as well as the Government Accountability Office and the DOE's own Inspector General all expressed concerns. (Nellenbach, p. 3)

Also, many local governments face budget shortfalls and the gaps affect EECBG implementation. Nellenbach said, "These gaps translate into spending cuts, hiring freezes and furloughs that hinder the ability of states to implement new programs or administer the explosive growth in programs like SEP and WAP... and to a lesser extent, the EECBG, which had to be created from the ground-up." (Nellenbach, p. 7). It has been a great challenge to meet the increased demand in administrative duties required by these large grants at a time when most are making staff cutbacks.

## Gathering Best Practices

One of the goals of the DOE is to identify some best practices in the EECBG Program. The objective is to supply the grants system with controls, procedures, and information on best practices that:

1. Can inform Grantees and sub-grantee recipients on how to meet and exceed standards for financial, administrative and technical performance
2. Identify success factors for improved grants management and oversight
3. Can inform training, workshops and conferences to communicate best approaches for grants management to the service and grant community
4. Will foster peer exchange to provide support for underachieving sub-grantee recipients
5. Supply data and evidence of continual improvement so it is measurable under the program evaluation process (DOE, p. 10)

The DOE is looking for best practices within their department, but also from the Grantees' perspective. In the DOE's own words, "Best practices awareness should occur at several levels—sub-grantees, Grantees, and Monitors and, if possible, through peer to peer exchange which fosters direct dialog between high performance and lower performance actors." (DOE, p. 10)

While accountability must remain a top priority, it is also paramount that these funds begin to flow into local governments and then out into their communities. Local governments have been among the hardest hit sectors of this recession, and these funds are desperately needed to enliven local economies, create jobs, and, of course, promote energy efficiency.

While many local governments have submitted EECBG proposals and are waiting for final approval and the release of funds before they can begin any projects, there are some local governments that have successfully implemented EECBG funds; they include the City of Brooklyn Park, MN who was awarded \$649,200 and the City of Fremont, CA who was awarded \$1,891,200.

### Success Stories

To better understand the successes from the city of Brooklyn Park, MN and the city of Fremont, CA, readers should know about the DOE's requirements. All local governments that want to use EECBG funding have to explain how they will meet the DOE's Energy Efficiency and Conservation Strategy (EECS), which include:

1. Local governments need to create measurable energy conservation goals and objectives. Local governments will have to provide a project schedule and explain how existing energy conservation programs will fit into the EECBG grant.
2. EECBG recipients will have to describe their project implementation plan and how proposed projects meet the local government's energy conservation strategy.
3. Local governments will have to consider any proposed EECBG implementation plans from surrounding local government.
4. To maximize energy efficiency and conservation efforts, local governments will have to share information from their EECBG implementation plans with their state government.
5. Local governments need to detail how their implementation plans will yield energy efficiency and conservation benefits after the EECBG funding stops.
6. To ensure transparency and accountability for the taxpayers, local governments must have auditing or monitoring procedures with EECBG funds.

The descriptions below explain how the two cities met the DOE's EECS requirements, and if readers want more details they can download Brooklyn Park and Fremont's EECS documents from ICMA's Knowledge Network with this link: [http://beta.icma.org/en/icma/knowledge\\_network/documents/kn/Document/107104/ICMA\\_EECBG\\_White\\_Paper\\_Documents](http://beta.icma.org/en/icma/knowledge_network/documents/kn/Document/107104/ICMA_EECBG_White_Paper_Documents)

#### City of Brooklyn Park, MN

Staff from the city of Brooklyn Park, MN are using EECBG funds to retrofit or replace aging infrastructure in the city's facilities with new energy efficient systems. To expand the EECBG's benefits throughout the community, the city is using a consultant to promote high efficiency lighting, and the city will also implement a community outreach program that promotes energy saving and conservation. The possible strategies for this program include: creating internal workshops to generate best practices, developing building codes that promote energy conservation, creating a loan program for local businesses to make energy efficient upgrades, and establishing measures and targets for reducing energy usage.

Moving beyond strategies, the city is planning on implementing a number of projects that help Brooklyn Park meet its energy and conservation goals. The projects include: a geothermal retrofitting of city facilities, lighting retrofits of city facilities, adding digital controls to city facilities, installing a waste reduction system, implementing water reduction measures on city buildings, installing LED lighting in parking lots, and conducting a high efficient retrofit of the city's heating, ventilation, and air conditioning system.

Each of these projects will meet the EECBG's goals to conserve energy and either create or retain jobs, and staff from Brooklyn Park will use the State of Minnesota's energy savings legislation to install the projects.

To meet these requirements about how local governments might use EECBG funds, Brooklyn Park plans to conduct workshops and to hold meetings with surrounding cities, counties, and school districts starting in fall 2009. Staff will also send a semi-annual report to the state of Minnesota, and the report will include the number of jobs created or retained in the local community, the project's carbon emission reductions, and measurements and verifications of the annual energy conservation performance.



The DOE also requires that grant recipients ensure that the projects produce energy savings after the EECBG funding stops and that there are monitoring procedures to ensure the transparent and accountable use of tax dollars. Brooklyn Park states that the new high efficient equipment will create continued energy savings, and then money from these energy savings will be used for future green initiatives, energy projects, and public education about conservation.

To ensure accountability and transparency, the city will select an employee to monitor the EECBG projects by overseeing the bidding process, project implementation, and post-implementation activities. The city will also develop performance metrics to ensure that all projects meet the required energy savings and will require that contractors provide monthly project costs.

### City of Fremont, CA

The city of Fremont has linked the EECBG funds into the city's existing Climate Action Plan and recommendations from the city's Green Task Force. The three goals for the city's Energy Efficiency and Conservation Strategy are to reduce the city's greenhouse gas emissions by 25% from the 2005 levels, to create land use regulations that will reduce vehicle miles traveled, and to reduce energy consumption in non-city buildings by 25% from the 2005 levels.

To achieve these goals, staff are planning to retrofit city owned buildings, install outdoor lighting retrofits, purchase hybrid vehicles for the city's vehicle fleets, create a green zone ordinance, implement community energy efficient projects, and implement green specification packages.

Also because the city of Fremont is active in regional governmental associations, their state management association, and has partnered with energy companies, it is able to meet the EECBG mandates

about communicating with the state government and considering EECBG plans from other local governments. Fremont participates in the Alameda County's Green Package program that retrofits county buildings, and the city is active in the counties of Santa Clara and San Mateo's regional energy efficiency efforts. The City also uses the Association of Bay Area Governments, the League of California Cities, and the U.S. Conference of Mayors to share information with other local governments and the state of California.

For the last two elements of the EECS strategies, continuing the EECBG's benefits and maintaining transparency, the city of Fremont will collect data on all of the EECBG projects. To continue the EECBG's benefits, staff also plans to use the California Youth Energy Services (CYES) program, which trains young people to do energy and water audits and to install low-cost conservation measures. For accountability, the city of Fremont's Community Development Department will manage the EECBG projects and the Finance Department will do all financial reporting. The city will also use an existing single audit program, which audits all of the city's Federal grants, to monitor the EECBG funds.

Also, Dan Schoenholz, the city of Fremont's Policy and Special Projects Manager, offers a suggestion for local governments who are looking to better use EECBG funds. Local governments may want to fund many different projects at the same time because if a couple projects get stuck the other ones could go forward. Schoenholz said "That is in fact what is happening [in Fremont]: three of our projects (including our largest one, installation of a cool roof and solar power at our main library) are moving forward fairly smoothly and we should expend or obligate about \$1 million by June 30". While project diversification may not be best for all cities, it increases the chance that some EECBG projects will move forward.

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