



SIERRA CLUB

LONE STAR CHAPTER

From: Cyrus Reed, Conservation Director, Lone Star Chapter, Sierra Club, cyrus.reed@sierraclub.org, 512-888-9411 Comments of the Lone Star Sierra Club on

HB 1: Comptroller of Public Accounts: Fiscal Programs

The Lone Star Chapter of the Sierra Club is pleased to offer these very brief comments on funding of certain programs housed at the Comptroller of Public Accounts through their fiscal programs. We support the continued spending of federal and state funds that support programs run by the State Energy Conservation Office (SECO), including oil overcharge funds used for the unique LoanSTAR program that are contained within HB 1. HB 1 includes funding of approximately \$15.6 million per year for LoanSTAR, as well as significant federal funding (about \$13 million per year) from the DOE for the state energy plan and other federal funded programs. Sierra Club supports these items.

In addition to supporting these programs, we want to point out the need for the Comptroller and the State Energy Conservation Office (SECO) to take full advantage of additional federal funding opportunities –some of which are competitive - available through the Bipartisan Infrastructure Bill (also known as the IIJA) and the IRA. While many of the guidelines are still being written at the Department of Energy, Texas could be eligible for hundreds of millions of allocated and competitive funds.

Comptroller Hegar has expressed concern that SECO may not have the administrative capability to take all of these funds, but we believe with some flexibility and ability for the Comptroller to hire temporary administrative support we can. We understand, for example, that Texas could be eligible under the IRA for more than \$680 million in rebate programs for energy efficiency which would dwarf the utility efficiency programs overseen by the PUCT. We would suggest that a rider be written that allows an MOU with other agencies like the PUCT if they are better able to administer these funds.

Still, not only is the Sierra Club supportive of the Comptroller actively seeking these funds, but also reporting on their use. Given the large number of funding opportunities, and the small size of SECO, the Legislature should consider allowing additional administrative and contract funds for the agency so that we can make sure the dollars can be used effectively.

SECO has been a key small, but important unit of state government, providing technical assistance on energy use and energy efficiency, running the very successful LOANSTAR revolving loan program for public buildings- which was increased during ARPA – to include more types of projects and measures, running and administering the State Energy Program, and importantly overseeing state building code implementation related to the energy code, and separate building codes related to state-funded buildings. We would note that we have been disappointed at the slow pace of SECO implementing these building code updates, but understand that there are potential statutory impediments that may need to be addressed during the 2023 Legislative Session.

Given Texas' struggles with our electric grid, and our growing population, SECO serves a unique and important function and is worthy of robust funding to achieve its missions. There are a number of federal opportunities that are likely to be allocated to SECO as the state energy office, and other pots of money that could be made available. The Sierra Club wants to make sure that SECO and the Comptroller's budget authority is sufficient to both receive allotted funds - and the necessary staff or contracts to manage these funds - and compete for competitive grants.

As an example, under Section 40109 State Energy Plan, SECO should receive an estimated \$6 - \$7 million/year over 5 years. We are concerned that the amount listed in SB 1 does not appear to match these amounts. These funds include support to electric transmission and distribution projects and local government projects related to energy security. SECO has already turned in its security plan and initial applications, but the agency should be granted full funding for what it is allotted in the coming months.

Second, under Section 40552. Energy Efficiency and Conservation Block Grant Program (Formula), \$150 million is being allocated to all states, and SECO estimates it could receive approximately \$3 million/year for 5 years. These block grants can be used to develop, promote, implement, and manage energy efficiency and conservation projects (can include renewable energy, etc).

Moreover, under Section 40511. Cost-Effective Codes for Efficiency and Resilience (Competitive), SECO could partner with local government and non-profits and receive up to \$2 million/year for 5 years for public education, and implementation of modern codes, as well as installation of solar, wind, fuel cell, biomass on gov buildings. Finally, a program that Sierra Club has long advocated for - a revolving loan program for small commercial and residential buildings - could be implemented using federal funds. Section 40502. Energy Efficiency Revolving Loan Fund Capitalization Program (Formula) of the IJA provides \$100 million to all states + \$150 million to 15 states with highest per capita emissions. The maximum Max allowed per state is \$15 million, and SECO estimates that \$10 million to \$12 million could be available for Texas. The program would create a revolving loan fund for commercial, residential and energy audits. Up to 15% of the money can be used for grants, and the state is expected to also leverage private capital for the program.

Other Federal Opportunities. It is still early to predict the potential for other federal funding opportunities to be made available to SECO as programs and guidelines are still being developed, but the IRA approved in 2022 clearly has programs that SECO could be the logical state agency to house.

There are millions of dollars available for programs including:

- Home Energy Performance-Based Whole House Rebates (estimated at \$344 million);
- Assistance for Latest and Zero Building Energy Code Adoption (estimated at \$346 million).

While there may be others, we believe concentrating on these two programs which are intended for State Energy Offices should be a priority. While the timing and process will be determined in the coming months, we would support a robust application from SECO to take advantage of these federal funds which will create an important program in the coming years to help individuals make retrofits to their homes, and also implement modern codes, creating jobs and helping reduce stress on our electric grid, while improving air quality. Again, however, it could be that an MOU with the PUCT is needed to properly administer these funds.

What you can do. HB 1 as filed already contains important provisions in Article IX to make sure state agencies can take advantage of federal funding as long as they inform the Comptroller, the Governor and Legislative Budget Board and there are not any concerns about the application. HB 1 also does include federal funding and LoanSTAR funding.

However, we think the numbers in HB 1 should reflect the allotments under the IIJA that are coming to Texas, and we think it makes sense to add two riders to the budget - a reporting rider and a rider to provide flexibility for SECO to establish an MOU with the PUCT.

Thus, it might make sense to add a rider in the budget that requires more reporting from SECO on any federal funds it receives and also a direction to assure that we also report on energy saved, demand reduced and the pollution benefits. Currently, all SECO programs including action on building codes are assessed by the Energy Systems Laboratory to see the positive impacts on energy saved and pollution reduced. We think it would make sense to assure that we assess the benefits of any federal funds that are utilized. We are happy to provide some language.

Finally, we would support additional staff and administrative dollars so that SECO can take full advantage of these opportunities.

The Sierra Club appreciates the opportunity to make these brief comments.

Proposed Reporting Rider Language

Rider. The Energy Conservation Office will provide the LBB with a report on federal funding applied for and obtained each year. Separately, SECO will work with the Energy Systems Laboratory to assess the energy savings and air quality benefits resulting from federal funding. The reports on energy savings and air quality benefits should be provided to the TCEQ.

Proposed Administrative Flexibility Rider

Rider. To the extent that SECO lacks the administrative oversight capability to manage future federal funding, the Comptroller may establish an MOU with another state agency such as the PUCT to jointly administer federal funding programs.