

Local Energy Resources Network



Meeting 36
December 10, 2024

*Featuring CivicWell Policy Director,
Roger Dickinson*



Welcome!

Purpose

Interactive 1-hour meetings designed to be a regular space where local governments - and those who work with them - can help each other learn about (and possibly inform) available opportunities to advance their energy and climate goals.

TODAY'S AGENDA

- Opportunity Roundtable
- Spotlight: A Threat to Local Municipal Bonds for Public Infrastructure
- Featured Presentation: CivicWell Policy Director
- Updates on CCEC Forum
- Optional: Extended 15 minutes for Bonus Breakouts



Opportunity Roundtable

Need/Have Board

View all Opportunities

Policy Drives Investment

Agencies Scope/ Design Assistance Programs & Gather Input

Applicants Apply to Funding Solicitation

State

- FY 21-22 Budget (\$15B climate resilience)
- FY 22-23 Budget (\$38.8B climate change)
- Cap and Trade auction revenue allocations (>\$20B raised since 2013)
- FY 23-24 Budget
- FY 24-25 Budget - May revise
- State agency proceedings
- CCI Reauthorization
- Proposition 4 Climate Bond

Federal

- Infrastructure Investment and Jobs Act (IIJA) (2021) = \$47B in climate resilience funding
- FY 22-23 Budget (\$44.9B climate change)
- Inflation Reduction Act (IRA) (2022)
- Biden's Proposed FY 23-24 Budget (\$52.2B climate change)

Funding

- Climate United: NEXT Pre-development Grants - First Round - January 10, 2025
- CALFIRE: Forest Health Grants - January 15, 2025
- CEC: CRITICAL PATHS 2.0 Grants - January 15, 2025
- CEC: Reliable, Equitable, and Accessible Charging for Multi-family Housing 3.0 - January 22, 2025
- CalTrans: Sustainable Transportation Planning Grants - Jan 22, 2025
- CEC: Geothermal Grant and Loan Program - due Jan 27, 2025
- CEC: Technical Assistance for Zero-Emission Vehicle (ZEV) Infrastructure Funding - February 28, 2025
- DOT: 2025 Rebuilding American Infrastructure with Sustainability and Equity (RAISE) - January 30, 2025
- DOE: Good Jobs in Clean Energy Prize - January 31, 2025
- Climate Resilience Fund: Climate Smart Communities Initiative - due March 3, 2025
- DOE: Energy Improvements in Rural or Remote Areas (ERA) Funding - concept paper due Feb 27, 2025; app August 28, 2025
- CALSTART: Communities in Charge Funding Wave 3 - Available Until Funds are depleted
- USDA: Community Facilities Program Disaster Repair Grants - Available Until Funds are depleted

Other Assistance

- CEC: HEEHRA Phase I Program - stackable SF/MF rebates (up to \$8,000)

Input Opportunities

- SGC: Affordable Housing and Sustainable Communities Draft 9 Guidelines - due December 11
- CCEC: State and Local Energy and Climate Coordination Meeting - Progress on Local Climate Action - December 12
- CEC: Draft Integrated Energy Policy Report - December 12
- SGC: Shape 2025 Regional Roundtables with LCI & SGC - December 13
- CalEPA: Draft Round 2 EJ Action Grant Guidelines - January 10, 2025
- CARB: Climate Action Survey (CPRG input will be requested over the next year)
- SGC: Request for Information to Streamline Infill Housing Development Across the State - due Dec 31, 2024



Spotlight: Threat to Local Municipal Bonds

MMA Independent and Data Driven

INDUSTRY DISCOUNTING RISK TO TAX EXEMPTION

HYPOTHETICAL LOSS OF TAX-EXEMPTION COULD CRATER PUBLIC INFRASTRUCTURE FINANCING IN THE US:

- Odds of TCJA extension efforts hitting the exemption may be rising
- A damaged or removed exemption could mean 2025 issuance drops from consensus \$500B to the \$250-300B range.

MMA thinks the odds of Republicans targeting the tax exemption via tax reform legislation early next year is now up to at least 50% (from 30%). This reflects Republicans' interest in: 1) sweeping lots of little payoffs together to minimize adversity; and 2) acting quickly to best marshal political momentum from the election and to minimize legislative risks that will only grow over time amid the historically thin incoming House majority. A quick process (with limited deliberation) suggests that language already written by members over the last year likely lean on previously-introduced ideas (like the 28% cap on the value of the tax-exemption or the removal of eligibility for private activity bonds) instead of new ones, and we continue to think the easiest alternatives (removal for bonds going forward) are more likely than difficult ones (removal for all bonds). Still, noting the unpredictable nature of current politics, no alternative seems outright impossible. In 2017 TCJA talks, market participants fought for private activity bonds and tax-exempt refundings and went one-for-two. This year, the municipal industry is largely discounting the risk to the tax-exemption, implying a weaker all-in lobby effort in Washington. It doesn't help that Republican governors are rumored to not be helping efforts to preserve the tax exemption: a great potential concern if true. And while there are arguments that the tax-exemption legally/Constitutionally cannot be removed by Congress, both [SCOTUS](#) and the [IRS](#) seem to disagree. Finally, MMA recognizes that getting rid of or diluting the exemption is a terrible choice for Congress and the future of American infrastructure and economic growth; hence our odds of only 50% for a potential change.

Some takeaways:

- 1) The difference between impacts on prices/yields from "only" a 28% cap (which makes municipal interest federally taxable at marginal rates over 28%) and full taxability may be minimal in the real world. Rather than practicing tax efficiency, most retail municipal investors engage in tax avoidance, so any mandatory federal tax on their interest earnings would mean municipals would be considered vis-a-vis fully taxable alternatives. Further, investors would have to assume that federal deficits not getting any smaller, a partial tax on munis now would lead to a full tax later. Thus, taxable municipal offerings might immediately be spread to UST instead of a municipal AAA curve and could well need to provide either more yield (higher coupons) or better liquidity (more disclosure, larger bullet maturities, less callability, etc.) to compete with taxable offerings from corporations, governments, structured finance entities, international sovereigns, etc.
- 2) While the transition for states and large cities and utilities would be straightforward (the current AAA spread from taxable to tax-exempt is about 200bps, so baseline municipal yields might rise as much), hypothetical spreads for lower rated, less transparent, more risk-forward credits could be substantially wider. MMA assumes that many of these would transition to private lending solutions (including banks), pass along higher taxes to residents, and/or drastically reduce their investment in new infrastructure absent more direct state inter-

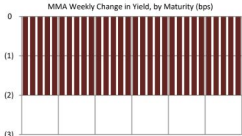


Figure 2: Municipals rallied a bit during last week's shortened sched.



Figure 3: The curve's front half still looks oversold, the back overbought



Figure 4: Municipal term maturities all looking rich now vs USTs

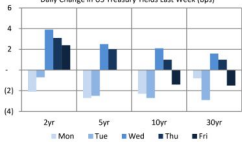


Figure 5: USTs ended the week 1-3bps richer



Tom Doe
 Founder and President
 Municipal Market Analytics (MMA)



Featured Discussion



Policy Director, CivicWell

Roger Dickinson



Legislative Update



CIVICWELL

Transforming Local Vision into Action

Roger Dickinson
POLICY DIRECTOR

AB 1999 Irwin

Repeals authority of CPUC to establish fixed rates for electricity on an income-graduated basis as previously specified in legislation.

Grants CPUC authority to adopt fixed charges of no more than \$5 per month for low income ratepayers in the CARE program and no more than \$10 per month for other ratepayers. Charges may be adjusted by CPI annually.

Died in Assembly Appropriations Committee.



AB 2427 McCarty

Requires GO-Biz to develop model tools, resources, and best practices for permitting curbside EV charging.

Requires local government to develop permitting requirements for curbside EV charging.

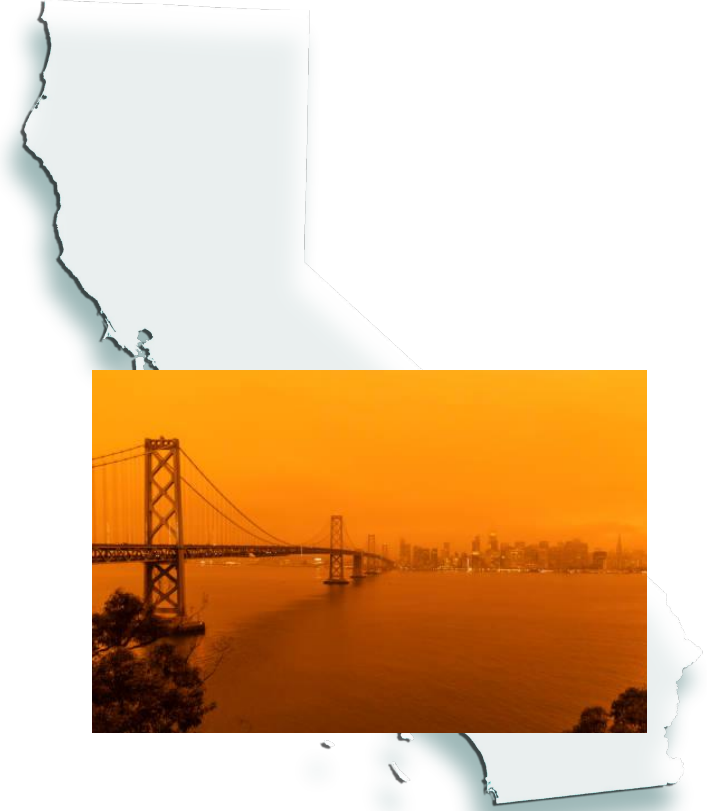
Signed into law.



AB 2684 Bryan

Requires inclusion of extreme heat in the safety element of general plans of cities and counties after January 1, 2024 and updated periodically.

Signed into law.



AB 3121 Petre-Norris

Would take unspent funds from the Multifamily Affordable Housing Solar Roofing Program and the School Energy Efficiency Stimulus Program to use for rebates to residential ratepayers of Investor Owned Utilities (IOUs).

It is estimated that ratepayers would receive between \$30 and \$70 in a one-time credit, but the bill would eliminate about \$500 million from the programs that help low-income residents and schools.

Dropped by the author.



AB 3264 Petre-Norris

Would direct the California Public Utilities Commission (CPUC), in consultation with the California Energy Commission (CEC), the California Infrastructure and Economic Development Bank (I-Bank), and the Independent System Operator (ISO), to report by July 1, 2025 to the Governor and Legislature on ways to reduce electricity costs to ratepayers, among other things.

Signed into law.



SB 1272 Laird

Allows the CEC to prepare a program Environmental Impact Report (EIR) for clean energy facilities rather than an EIR for each facility.

Died in the Assembly.



SB 1420 Caballero

Streamlines environmental the review process for hydrogen-producing facilities.

Signed into law.



SB 1003 Dodd

Would require wildfire mitigation plans of IOUs to include evaluation of cost and risk reduction, among other considerations.

Died in the Assembly.



AB 107 & 108 State Budget 2024-25

- 1) Balanced total budget \$297.9 billion
- 2) \$46.8 billion deficit resolved
 - a) \$16 billion spending reductions
 - b) \$6 billion reserves
 - c) \$6 billion fund shifts
 - d) \$5.2 billion delays and deferrals in spending
- 3) \$9 billion in General Fund (GF) cuts to climate programs with \$5.2 billion in fund shifts to Greenhouse Gas Reduction Fund (GGRF)
- 4) Extreme Heat and Community Resilience
 - a) \$15 million GF restored and \$25.1 million shift to GGRF for Extreme Heat and Community Resilience
 - b) \$75 million reduction in GF for Regional Climate Resilience
 - c) \$9.8 million reduction in GF for Regional Climate Collaboratives
 - d) \$15 million reduction in GF for Climate Adaptation and Resilience Planning Grants



Executive Order N-5-14

- 1) CEC to evaluate and recommend changes by 1/1/25 regarding underperforming or underutilized energy programs.
- 2) CPUC to evaluate and recommend changes by 1/1/25 to modify or repeal statutes to reduce costs to ratepayers.
- 3) CPUC requested to modify or sunset underperforming or underutilized programs immediately.



Executive Order N-5-14 (cont.)

- 4) CARB and CPUC to consult on options to maximize California Climate Credit to reduce ratepayer bills and report to the Governor by 1/1/25.
- 5) Office of Energy Infrastructure Safety and CPUC to consult on wildfire mitigation measures to reduce wildfire ignition and report to the Governor by 1/1/25.





Roger Dickinson

POLICY DIRECTOR

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Questions

Please add questions to the chat or raise your hand

BPC Workshop

Topic: Discussion

A promotional poster for the 16th Annual CCEC Forum. The background is a photograph of a city street at dusk, with trees and buildings. A yellow banner at the top contains the text "SAVE THE DATE". Below it is the CCEC logo, which is a circular emblem with "CALIFORNIA CLIMATE & ENERGY COLLABORATIVE" around the perimeter, "CCEC" in the center, and a stylized mountain and sun icon at the bottom. Below the logo, the text "16TH ANNUAL CCEC FORUM" is written in yellow. A white horizontal line separates this from a dark blue banner containing the dates "July 9 -10, 2025". At the bottom, the text "SAN JOSE" is written in yellow.

SAVE THE DATE

CCEC
CALIFORNIA CLIMATE & ENERGY COLLABORATIVE

16TH ANNUAL CCEC FORUM

July 9 -10, 2025

SAN JOSE

Local Energy Resources Network



What's Next?

- Bonus Breakouts up next!
- Next meeting **January 14, 2025**
- Share [invitation](#) with others

Thanks for a great year!
Happy Holidays!



Optional: Bonus Breakouts

Thanks for joining us!

This is a space for informal discussion among the LERN network. Feel free to:

- Offer an announcement, success story, or opportunity
- Share a need for information, collaborators, or advice
- Raise a suggested topic or speaker for future LERNS

If you need an in-depth discussion, you can pitch a specific bonus breakout topic and invite others to join you (today or we can plan ahead for next month)



CCEC Serves Local Needs



wEEkly Update



CURRENTS Quarterly



Webinars



Annual Forum



Active Funding Opportunities



Funding Program Database



Technical Assistance



Technical Assistance Directory



Local Government Roundtables



Best Practice Database



Interviews and Case Studies