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**CALIFORNIA  
ENERGY COMMISSION**



California Energy Commission

## **PROGRAM GUIDELINES**

# **Equitable Building Decarbonization Direct Install Program Guidelines**

**Gavin Newsom, Governor**  
**October 2023 | CEC-400-2023-003-REV1**

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## **DISCLAIMER**

**These Final Program Guidelines were prepared by the California Energy Commission (CEC) staff as part of the Equitable Building Decarbonization Program Docket #22-DECARB-03. These Guidelines are anticipated to be considered by the CEC on October 18, 2023, after considering public comments. These Guidelines were prepared in accordance with the process specified in Public Resources Code Sections 25665.3 and 25665.6, as well as staff analysis and public input. The information contained in these Guidelines is intended to be final; however, it is subject to the public process and may be supplemented by additional public input and staff analysis. The contents of this report are not intended to be construed as legal advice.**

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## ABSTRACT

These guidelines for the Equitable Building Decarbonization Direct Install Program outline the initial rules and requirements for the program, including funding allocations, household and property eligibility requirements, and eligible measures. Assembly Bill 209 (Committee on Budget, Chapter 251, Statutes of 2022) directed the California Energy Commission to develop the Equitable Building Decarbonization Program. The program will include a direct install program for low-income households, which is a type of program that provides and installs energy-efficient electric appliances, energy efficiency measures, and related upgrades directly to consumers at minimal or no cost. The direct install program will include a statewide direct install program and a tribal direct install program. The Equitable Building Decarbonization Program will also include a statewide incentive program to accelerate deployment of low-carbon building technologies.

The primary goals of the program are to reduce greenhouse gas emissions and advance energy equity. The statewide direct install program, which is the focus of these guidelines, will be administered separately in Northern, Central, and Southern California by competitively selected program administrators who will partner with community-based organizations for culturally appropriate outreach, education, and support for participating households and communities.

**Keywords:** Equitable Building Decarbonization Program, decarbonization, buildings, equity, underresourced community, direct install, low-income, energy efficiency, electrification

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# CHAPTER 1:

## Program Overview

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### A. Background

The State of California is committed to a just and equitable transition to carbon neutrality by 2045.<sup>1</sup> Residential and commercial buildings account for about 25 percent of California’s greenhouse gas emissions,<sup>2</sup> so the decarbonization of buildings is essential to achieving the state’s carbon neutrality goal. Building decarbonization must prioritize low-income, disadvantaged, and tribal communities, who bear the highest energy burden and have suffered the most from historical environmental injustices, economic disparities, and the current climate crisis.<sup>3</sup> The participation of all California communities will be needed for the state to achieve its climate and energy goals.

The California Energy Commission (CEC) advances building decarbonization through numerous programs, including:

- Developing building energy efficiency standards, energy and water efficiency appliance standards, flexible demand appliance standards, and load management standards.
- Advancing innovation and research that supports building decarbonization.
- Implementing incentive programs.
- Developing data-informed policy recommendations.

Based on the results of the *California Building Decarbonization Assessment*, the *2021 Integrated Energy Policy Report* recommended the state adopt a goal of 6 million heat pump installations by 2030 and direct funding toward building decarbonization retrofits in low-income and disadvantaged communities.<sup>4</sup> The goal of 6 million heat pumps by 2030 was endorsed by Governor Gavin Newsom in July 2022.<sup>5</sup>

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1 [Executive Order B-55-18 To Achieve Carbon Neutrality](https://www.ca.gov/archive/gov39/wp-content/uploads/2018/09/9.10.18-Executive-Order.pdf), signed by Governor Edmund G. Brown Jr. on September 10, 2018, <https://www.ca.gov/archive/gov39/wp-content/uploads/2018/09/9.10.18-Executive-Order.pdf>.

2 Kenney, Michael, Nicholas Janusch, Ingrid Neumann, and Mike Jaske. 2021. [California Building Decarbonization Assessment](https://www.energy.ca.gov/data-reports/reports/building-decarbonization-assessment). California Energy Commission. Publication Number: CEC-400-2021-006-CMF, <https://www.energy.ca.gov/data-reports/reports/building-decarbonization-assessment>.

3 Bailey, Stephanie, Jane Berner, David Erne, Noemí Gallardo, Quentin Gee, Akruiti Gupta, Heidi Javanbakht, Hilary Poore, John Reid, and Kristen Widdifield. 2023. [Final 2022 Integrated Energy Policy Report Update](https://www.energy.ca.gov/data-reports/reports/integrated-energy-policy-report/2022-integrated-energy-policy-report-update). California Energy Commission. Publication Number: CEC-100-2022-01-CMF, <https://www.energy.ca.gov/data-reports/reports/integrated-energy-policy-report/2022-integrated-energy-policy-report-update>.

4 Kenney, Michael, Jacob Wahlgren, Kristina Duloglo, Tiffany Mateo, Danuta Drozdowicz, and Stephanie Bailey. 2022. [Final 2021 Integrated Energy Policy Report, Volume I: Building Decarbonization](https://www.energy.ca.gov/data-reports/reports/integrated-energy-policy-report/2021-integrated-energy-policy-report). California Energy Commission. Publication Number: CEC-100-2021-001-V1, <https://www.energy.ca.gov/data-reports/reports/integrated-energy-policy-report/2021-integrated-energy-policy-report>.

5 Letter from Governor Newsom to Chair Liane Randolph, California Air Resources Board. July 22, 2022, <https://www.gov.ca.gov/wp-content/uploads/2022/07/07.22.2022-Governors-Letter-to-CARB.pdf>.

In September 2022, Governor Newsom signed Assembly Bill 209 (Committee on Budget, Chapter 251, Statutes of 2022), which directs the CEC to develop and implement an Equitable Building Decarbonization Program that will install retrofit measures in single-family and multifamily homes. The program will include two components: a direct install program and a statewide incentive program to accelerate deployment of low-carbon building technologies.

The Equitable Building Decarbonization Program will also further the purposes of Assembly Bill 32 (Núñez, Chapter 488, Statutes of 2006) and Senate Bill 32 (Pavley, Chapter 249, Statutes of 2016) by investing in projects that reduce greenhouse gas emissions.

In December 2022, the CEC released a request for information and held a public workshop to solicit input on key topics related to the design of the Equitable Building Decarbonization Program. Public comments received at that workshop and in writing informed the development of draft guidelines, which were released in May 2023. In May and June 2023, the CEC held a public comment period and hosted public workshops on the draft guidelines in Fresno, Indio, Los Angeles, San Francisco, and Santa Rosa, as well as several online workshops and tribal listening sessions. These final guidelines were informed by input received at those workshops and written comments submitted to the docket.

These guidelines address the direct install program. Separate guidelines will be developed through a public process for the statewide incentive program.

## **B. Program Goals**

The primary goals of the Equitable Building Decarbonization Program are to reduce greenhouse gas emissions from existing buildings and advance energy equity.

The Equitable Building Decarbonization Program will also encourage resiliency to extreme heat, air quality improvements, energy affordability, grid reliability, and local workforce opportunities. In addition, the program will advance the state's goals of 6 million heat pump installations by 2030, 3 million climate-ready and climate-friendly homes by 2030, and 7 million climate-ready and climate-friendly homes by 2035.<sup>6</sup>

The CEC is required to report progress toward these goals annually to the Legislature.<sup>7</sup> See Chapter 4 for information about metrics that will be used to track progress.

## **C. Program Components**

The Equitable Building Decarbonization Program may include the following components.

- **Statewide Direct Install Program:** The Statewide Direct Install Program will provide building decarbonization upgrades for low-income households in single-family,

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<sup>6</sup> These goals were established in a [letter](https://www.gov.ca.gov/wp-content/uploads/2022/07/07.22.2022-Governors-Letter-to-CARB.pdf) from Governor Newsom to Chair Liane Randolph, California Air Resources Board. July 22, 2022, <https://www.gov.ca.gov/wp-content/uploads/2022/07/07.22.2022-Governors-Letter-to-CARB.pdf>.

<sup>7</sup> Public Resources Code Section 25660.2.

multifamily, and manufactured homes in underresourced communities. The program will be administered separately in Northern, Central, and Southern California (Chapter 2).

- **Tribal Direct Install Program:** Recognizing the unique needs of tribes and tribal communities and consistent with Assembly Bill 209 (Committee on Budget, Chapter 251, Statutes of 2022), the CEC has set aside funding for a separately administered component of the direct install program to serve residential buildings owned or managed by California Native American tribes or California tribal organizations and buildings owned by members of California Native American tribes. Program details will be developed through consultation and engagement with tribes and included in a future update to these guidelines (Chapter 3).
- **Support for Existing Programs:** To begin achieving program goals in the more immediate future while other components are under development, the CEC is evaluating directing a portion of initial funding to bolster existing state programs that provide building decarbonization upgrades for low- to moderate-income California households.
- **Statewide Incentive Program:** The Statewide Incentive Program will provide incentives for low-carbon building technologies and may be implemented in concert with new federal incentive funds authorized by the Inflation Reduction Act (IRA). Separate guidelines will be developed for this program through a public process.

## D. Budget

California has allocated up to \$922 million to the Equitable Building Decarbonization Program from Fiscal Years 2022–23 through 2026–27 (Table 1).<sup>8</sup> The program will be funded by the General Fund and the Greenhouse Gas Reduction Fund, which is administered by California Climate Investments. See Chapter 4 for more information about California Climate Investments.

**Table 1: Equitable Building Decarbonization Program Budget (Millions)**

	<b>2022–23</b>	<b>2023–24</b>	<b>2024–25</b>	<b>2025–26</b>	<b>2026-27</b>	<b>Total</b>
General Fund	\$2	\$87	\$213	\$165	\$50	\$517
Greenhouse Gas Reduction Fund	\$60	\$345	\$0	\$0	\$0	\$405
<b>Total</b>	<b>\$62</b>	<b>\$432</b>	<b>\$213</b>	<b>\$165</b>	<b>\$50</b>	<b>\$922</b>

Source: 2023-24 California State Budget

The expected budget breakdown among Equitable Building Decarbonization Program activities is shown in Table 2.

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<sup>8</sup> The program budget shown here is consistent with the 2023–24 California State Budget passed by the Legislature and signed by the Governor in 2023. The program budget may change if modified by the Governor and Legislature in future years.

The budget breakdown is subject to change based on the amount of funding authorized by the California Legislature over the lifetime of the program. The funding amounts listed in Table 2 may also be increased in the future through the addition of federal, state, and/or utility funds.<sup>9</sup>

**Table 2: Equitable Building Decarbonization Program Budget Breakdown**

<b>Program Investments</b>	<b>Estimated Funding Over Program Lifetime</b>
Statewide Direct Install Program, including 5% set-aside for manufactured housing	\$689,800,000
Tribal Direct Install Program	\$30,000,000
Support for Existing Programs	\$30,000,000
Statewide Incentive Program	\$80,000,000
Program Administration	\$92,200,000
<b>Total</b>	<b>\$922,000,000</b>

Source: CEC staff

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<sup>9</sup> Additional funding sources to augment the above budget may include, but are not limited to, additional amounts of up to \$300 million from the Homeowner Managing Energy Savings (HOMES) Program (IRA Section 50121(b)), up to \$300 million from the High-Efficiency Electric Home Rebate (HEEHRA) Program (IRA Section 50122(b)), and up to \$10 million from the State-Based Energy Efficiency Contractor Training Grant Program.

# **CHAPTER 2:**

## **Statewide Direct Install Program**

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Three administrators will be competitively selected to implement the Statewide Direct Install Program in Northern, Central, and Southern California. Because program funds are insufficient to decarbonize all underresourced communities in the state, the program will initially focus on a subset of underresourced communities, as described in this chapter.

### **A. Regional Funding Allocation**

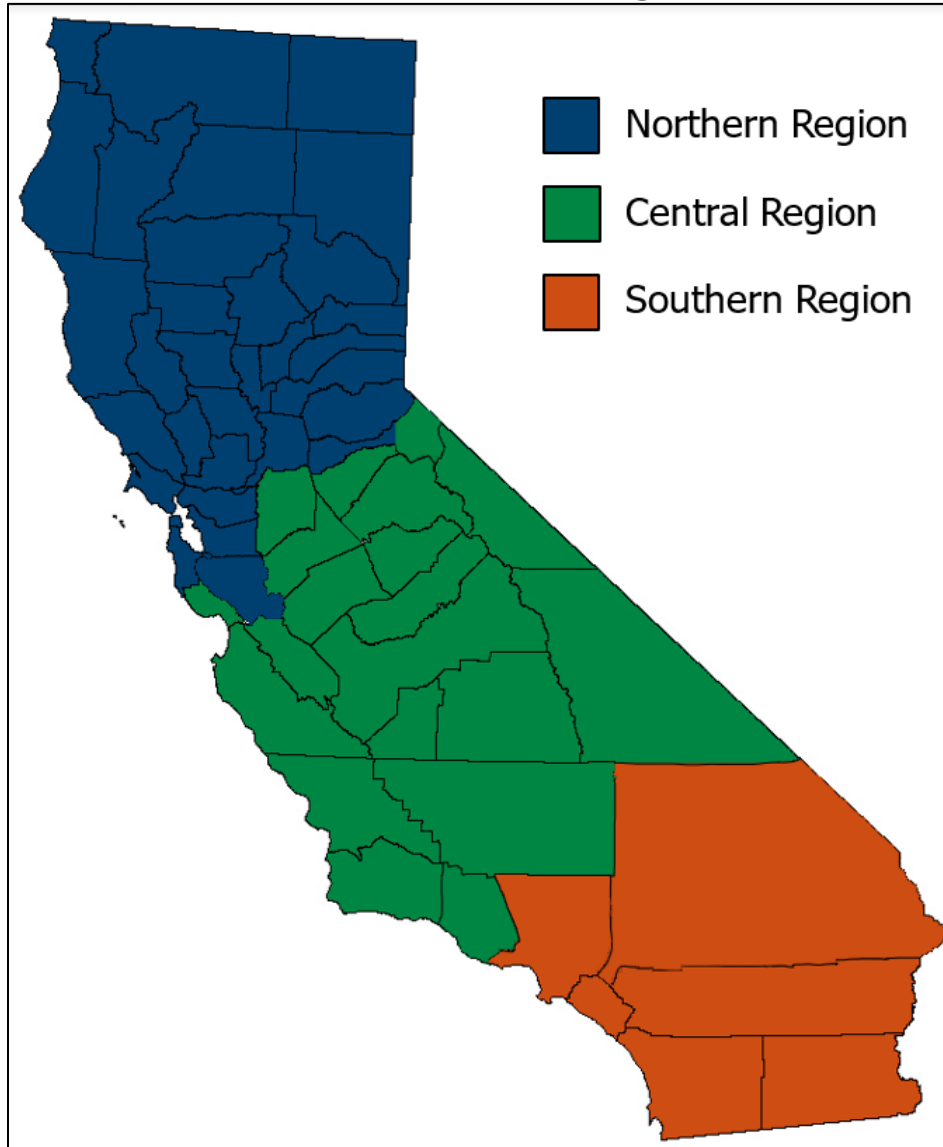
The program will be administered separately in Northern, Central, and Southern California to better ensure a broad distribution of funds. Counties included in each region are listed below and shown in Figure 1.

Northern Region: Alameda, Amador, Butte, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Francisco, San Mateo, Santa Clara, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, Yuba

Central Region: Alpine, Calaveras, Fresno, Inyo, Kern, Kings, Madera, Mariposa, Merced, Mono, Monterey, San Benito, San Joaquin, San Luis Obispo, Santa Barbara, Santa Cruz, Stanislaus, Tulare, Tuolumne, Ventura

Southern Region: Imperial, Los Angeles, Orange, Riverside, San Bernardino, San Diego

**Figure 1: Map of Northern, Central, and Southern California Regions**



Source: CEC staff

Funding allocations for the three regions are shown in Table 3. Allocations are based on the relative population of underresourced communities in each region. See Section C for the definition of an underresourced community for this program.

**Table 3: Regional Funding Allocation**

<b>Region</b>	<b>Population of Underresourced Communities</b>	<b>Percentage of Statewide Direct Install Program Funds<sup>10</sup></b>
Northern Region	5.3 million	23%
Central Region	4.3 million	19%
Southern Region	13.6 million	58%

Source: CEC staff

## **B. Selection of Administrators**

The CEC will release a competitive solicitation to select administrators for the three regions. Administrator selection criteria will be outlined in the competitive solicitation request for proposals, which will be developed through a public process.

Applicant teams will be required to have expertise in residential building decarbonization, including decarbonization of single-family homes, multifamily buildings, and manufactured housing.

Applicant teams will also be required to include several community-based organizations (CBOs) for culturally appropriate outreach, education, and support for participating households and communities.<sup>11</sup> Proposals may be led by CBOs or include CBOs as subcontractors or both. For this program, CBOs include nonprofit organizations, tribal entities, or governmental entities that have demonstrated effectiveness representing underresourced or tribal communities and providing support and services to individuals in those communities.

Applicant teams will be required to include CBOs in their proposed budgets and clearly delineate the proposed roles of participating CBOs. For example, CBO roles may include, but are not limited to, the following:

- Inform the selection of initial community focus areas.
- Inform program implementation and evaluation activities.
- Customize outreach materials for each participating community.
- Provide translation services.
- Conduct targeted outreach to potential participants.

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<sup>10</sup> In addition to the three regional administrators, a portion of Statewide Direct Install Program funds will be used for CEC-administered statewide contracts to support the regional administrators.

<sup>11</sup> Public Resources Code Section 25665.3 states: "In selecting third-party implementers, the commission shall prioritize applications from entities that include at least one community-based organization in order to ensure for the provision of culturally-appropriate outreach, education, and support to households participating in the direct install program, and from entities that employ workers from local communities." Priority for local workers is addressed in the Workforce section in Chapter 4.



- Provide potential participants with information about the program and the benefits of building decarbonization and respond to their questions and concerns.
- Support households with the enrollment and income verification process.
- Serve as a point of contact for participating households.
- Administer follow-up surveys to participating households.
- Ensure that tenants in participating buildings are informed of their rights (Chapter 4, Section C).
- Conduct outreach to local and diverse contractors to encourage their participation in the program (Chapter 4, Section D).

## **C. Community Eligibility**

All households served by the program must be in an underresourced community, as defined in statute,<sup>12</sup> in addition to meeting the Household/Property Eligibility Requirements described in Section E. For this program, an underresourced community is defined as a community located in one or more of the following geographic areas:

- Disadvantaged communities designated by the California Environmental Protection Agency for purposes of Senate Bill 535 (De León, Chapter 830, Statutes of 2012)<sup>13</sup> (required for at least 65 percent of expenditures in each of the northern, central, and southern regions)
- Census tracts with median household incomes at or below 80 percent of the statewide median income
- Census tracts with median household incomes at or below the threshold designated as low-income by the Department of Housing and Community Development<sup>14</sup>

In addition, households that are within one half-mile of a disadvantaged community will be eligible for the program. These households must also meet the Household/Property Eligibility Requirements described in Section E. In alignment with California Climate Investment requirements, the program will target 5 percent of funding in areas that are outside but within one half-mile of disadvantaged communities.

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12 Public Resources Code Section 25665 states that an underresourced community is “defined by Public Resources Code Section 71130,” which “means a community identified pursuant to Section 39711 of the Health and Safety Code, subdivision (d) of Section 39713 of the Health and Safety Code, or subdivision (g) of Section 75005.” California Climate Investments uses the term “priority population,” which is synonymous with “underresourced community” for this program.

13 The Senate Bill 535 Disadvantaged Communities Map developed under Health and Safety Code Section 39711 is available at <https://oehha.ca.gov/calenviroscreen/sb535>.

14 Low-income thresholds by county and household size are established annually by the Department of Housing and Community Development and posted at <https://www.hcd.ca.gov/grants-and-funding/income-limits>.

These geographic areas are shown on the California Air Resources Board's [Climate Investments Priority Populations Map](https://webmaps.arb.ca.gov/PriorityPopulations/) at <https://webmaps.arb.ca.gov/PriorityPopulations/>.<sup>15</sup>

## **D. Initial Community Focus Areas**

The competitive solicitation request for proposals will require administrators and their CBO partners to recommend specific underresourced communities to be served in the initial phase of the program following requirements and scoring criteria established by the CEC.

Administrators should strive for diversity among initial focus areas. In this context, "diversity" includes geographic diversity, inclusion of urban and rural communities, inclusion of communities with different types of housing stock (prevalence of single-family, multifamily, and manufactured homes), communities in several climate zones,<sup>16</sup> and diversity in other equity-related characteristics.

The competitive solicitation request for proposals will include detailed criteria according to which administrators shall recommend initial community focus areas. Criteria are expected to include, but may not be limited to:

- The presence of a local organization with which the program can partner for culturally appropriate outreach and engagement with community residents. As described in Section B, administrators are required to partner with CBOs.
- Communities in which households are most likely to experience utility bill savings as a result of decarbonization, based on climate zone, utility rates, and other factors.
- Communities vulnerable to extreme heat, high fire risk, or other climate risks, and communities vulnerable to high levels of ambient air pollution.
- Communities underserved by existing programs that fund building decarbonization, weatherization, and related measures.
- Communities in which households experience higher than average energy burdens.

In recommending initial focus areas, administrators may also consider areas that have been identified as strong candidates for gas decommissioning, such as through the CEC-funded Tactical Gas Decommissioning Project.<sup>17</sup>

Within initial focus areas, the program will target households/properties most likely to benefit from decarbonization retrofits, as described in Section F.

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15 Areas identified on the map as "disadvantaged communities" and "low income communities" are underresourced communities as defined in this section.

16 California is divided into 16 climate zones for the purpose of the California Energy Code. [Details](https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards/climate-zone-tool-maps-and) are available at <https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards/climate-zone-tool-maps-and>.

17 For details about the Tactical Gas Decommissioning Project, see Gridworks' [Tactical Gas Decommissioning Project Overview](https://gridworks.org/2022/06/tactical-gas-decommissioning-project-overview/) at <https://gridworks.org/2022/06/tactical-gas-decommissioning-project-overview/>.

The CEC will work with administrators to expand the program to additional focus areas in subsequent phases. This expansion will include an opportunity for communities not identified as initial focus areas to be considered for inclusion.

## **E. Household/Property Eligibility**

Households and properties must meet the following criteria to be eligible for funding through the program.

### **1. Eligible Building Types**

The program is limited to residential buildings constructed before January 1, 2020. New construction is not eligible. A building may not participate in the Equitable Building Decarbonization Direct Install Program more than once. Eligible building types include:

- Single-family homes and two- to four-unit residential properties.
- Multifamily residential properties of five or more units.
- Townhouses and condominiums.
- Farmworker housing consistent with the definition in Health and Safety Code Section 50199.7(h)(2).
- Residential buildings such as assisted living facilities, transitional housing, and group homes. This does not include nonresidential buildings used as emergency makeshift shelters.
- Mixed-use buildings that include residential units. Only the residential portion, including common areas, is eligible for the program.
- Manufactured homes, mobile homes, and multifamily manufactured homes, as defined in Health and Safety Code Section 18007 et seq.

Eligible buildings may be either owner-occupied or rented. Manufactured homes are eligible regardless of whether the home or the land it sits upon is owned or rented by the occupant.

### **2. Eligible Fuel Types**

To be eligible, a building must use natural gas, propane, or another fossil fuel as the primary fuel for space heating or water heating.

### **3. Income Eligibility for Single-Family Homes**

To be eligible, single-family homes must be occupied by low-income households,<sup>18</sup> which are defined as households earning up to 80 percent of the area median income (AMI). In the case

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<sup>18</sup> Under Public Resources Code Section 25665, “[L]ow-to-moderate income’ has the same meaning as ‘persons and families of low or moderate income’ as defined in Section 50093 of the Health and Safety Code.” While the first phase of the program will be limited to low-income households, future phases may include moderate-income households as well.

of rented properties, the income requirement applies to the building occupant, not the building owner.

Low-income thresholds by county and household size are available from the [California Department of Housing and Community Development](https://www.hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits) at <https://www.hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits>.

Income eligibility may be demonstrated through a variety of methods, including, but not limited to, one of the following:

- Federal tax returns for all household members over the age of 18
- Recent pay stubs for all working household members
- Proof of enrollment in an income-qualified program that requires an income less than or equal to the income threshold for this program. Such programs may include but are not limited to:
  - California Alternative Rates for Energy (CARE)
  - Family Electric Rate Assistance Program (FERA)
  - Low Income Home Energy Assistance Program (LIHEAP)
  - Low-Income Weatherization Program (LIWP)
  - Energy Savings Assistance Program (ESA)
  - Weatherization Assistance Program (WAP)
  - Disadvantaged Communities — Single-Family Solar Homes Program (DAC-SASH)
  - Women, Infants, and Children (WIC)
  - CalFresh/Supplemental Nutritional Assistance Program (SNAP)
  - CalWORKs/Temporary Assistance for Needy Families (TANF)/Tribal TANF
  - Supplemental Security Income (SSI)
  - Medicaid/Medi-Cal
  - Head Start
  - Lifeline Support for Affordable Communications
  - Food Distribution Program on Indian Reservations
  - National School Lunch Program
  - Housing Improvement Program
  - Housing Opportunities for Persons with AIDS

#### **4. Income Eligibility for Multifamily Buildings**

A multifamily building is eligible for the program if at least 66 percent of households earn less than or equal to 80 percent of AMI, or if rent for at least 66 percent of units is affordable to such households. If a multifamily building is eligible, then all units in the building, as well as common areas, will be eligible to receive upgrades.

Multifamily income eligibility may be demonstrated through a variety of methods, which may include:

- Documentation of a rent regulatory agreement with federal, state, or local agencies identifying that at least 66 percent of households earn less than or equal to 80 percent of AMI.
- Pay stubs or annual tax returns showing that at least 66 percent of households earn less than or equal to 80 percent of AMI.
- Documentation showing that at least 66 percent of households are enrolled in income-qualified programs that are available primarily to those with income levels less than or equal to 80 percent of AMI, such as those listed in Section 3 above.
- Documentation showing that rent for at least 66 percent of units is affordable to households with income equal to 80 percent of AMI, where affordability is defined as rent plus utilities that does not exceed 30 percent of household income.

## **F. Household/Property Targeting**

The CEC is engaging a technical support contractor to develop a program wide analytical tool based on household-level energy utility interval meter data and other factors. Using this tool, the CEC will support regional administrators and their CBO partners to target specific households and properties that are most likely to benefit from the program according to the criteria listed below. Targeted households will be a subset of eligible households within the communities served by the program and will receive targeted outreach (Section G).

Targeting criteria may include, but are not limited to, the following. Criteria will depend in part on data availability.

- Likelihood of utility bill savings from decarbonization, based on such factors as primary space- and water-heating fuel type, energy utility meter data, electricity and gas rates, local propane rates (if available), climate zone, building age, age of existing appliances, and benchmarking program data
- Higher vulnerability to extreme heat (for example, homes in hot regions that lack cooling)
- Higher potential for avoided greenhouse gas emissions
- Proximity to other targeted low-income households, for economies of scale in outreach, implementation, and direct install retrofitting

The targeting tool will also be used to help identify the eligible measure(s) most appropriate for each targeted household and associated projected utility bill impacts. See Section I for more information about eligible measures.

Households need not be targeted to participate in the program. Income-eligible households that are within a community served by the program and not targeted may express interest and be evaluated for inclusion by the program administrator.

## **G. Outreach and Engagement**

Program administrators will be required to partner with CBOs to develop or customize outreach materials and conduct culturally appropriate outreach and engagement in participating communities. Outreach will focus on owners and occupants of targeted households (Section F).

## **H. Set-Aside for Manufactured Homes**

Manufactured homes and mobile homes face unique challenges to decarbonization, including low electrical capacity, limited space availability for decarbonization measures, and higher remediation needs. In addition, retrofits of manufactured homes must comply with the National Manufactured Home Construction and Safety Standards rather than state and local building codes.

To address these challenges, administrators of the Statewide Direct Install Program will be required to propose an intentional approach to serve manufactured homes and mobile homes, and direct at least 5 percent of their budgets to these housing types. In developing this approach, administrators are encouraged to coordinate with other programs that serve manufactured housing, such as the California Public Utilities Commission’s Mobilehome Park Utility Conversion Program.

### **I. Eligible Measures**

#### **1. Required Measures**

All building retrofits conducted by the program will, at a minimum, include the following elements.

- a) Replace existing gas-fired<sup>19</sup> heating equipment with a heat pump for space heating and cooling, or replace an existing gas-fired water heater with a heat pump water heater.
- b) At the conclusion of the retrofit, at least two of the following four end uses in the building must be electric: space heating, water heating, cooking, and clothes drying. Full building electrification is encouraged but not required.

#### **2. Eligible Measures**

Table 4 lists all measures that are eligible for funding through the program. All work funded by the program requires a California contractors’ license. Work must comply with applicable standards and manufacturers’ installation instructions and obtain required permits.

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19 In this document, “gas-fired” refers to equipment fueled by natural gas, propane, or another fossil fuel.

**Table 4: Eligible Measures**

Category	Measure	Details
Heating and Cooling	Heat pump for space heating and cooling	<p>Eligible as a replacement for gas-fired or electric resistance heating equipment.</p> <p>Must meet the highest efficiency tier (not including any advanced tier) established by the Consortium for Energy Efficiency (CEE).<sup>20</sup></p> <p>Equipment installed on or after 7/1/24 must use refrigerant with global warming potential (GWP) less than 750.<sup>21</sup></p> <p>Installer must possess U.S. Environmental Protection Agency Section 608 Technician Certification.<sup>22</sup></p> <p>Home Energy Rating System (HERS) field verification and diagnostic testing is required consistent with the California Energy Code.</p>
Heating and Cooling	Duct testing/sealing, and/or new ducts, returns, and registers	Duct testing/sealing is required in conjunction with installation of a ducted heat pump for space heating and cooling consistent with the California Energy Code.
Heating and Cooling	Occupant controlled smart thermostat	<p>Required in buildings with central heating/cooling system, if not already present.</p> <p>Must be certified compliant with Joint Appendix 5 (JA5) of the California Energy Code.</p>
Heating and Cooling	Ceiling fan or whole-house fan	Ceiling fans must be ENERGY STAR®-certified.

20 Residential products meeting CEE’s Highest Tier (not Advanced Tier) are listed at <https://www.ahrinet.org/certification/cee-directory>. Where CEE standards vary by climate region, the applicable standards are those for the CEE South region, which includes California.

21 In addition, the CEC encourages the installation of heat pumps that use low or ultra-low GWP refrigerants. Low GWP is defined as GWP of less than 150, and ultra-low GWP is defined as GWP of less than 10.

22 Section 608 certification is required for technicians who “maintain, service, repair, or dispose of equipment that could release refrigerants into the environment.” More information is available from the U.S. Environmental Protection Agency at <https://www.epa.gov/section608/section-608-technician-certification>.

<b>Category</b>	<b>Measure</b>	<b>Details</b>
Building Envelope	Air sealing	
Building Envelope	Insulation	
Building Envelope	Solar window film	Must be certified by the National Fenestration Rating Council.
Water Heating	Heat pump water heater (unitary)	<p>Eligible as a replacement for a gas-fired or electric resistance water heater.</p> <p>240V heat pump water heaters must meet Northwest Energy Efficiency Alliance (NEEA) Advanced Water Heater Specification for Integrated or Split-System Heat Pump Water Heaters at Tier 3 or higher; 120V heat pump water heaters must meet NEEA Advanced Water Heater Specification for Plug-In Heat Pump Water Heaters at Tier 2 or higher.</p> <p>Must be certified compliant with Joint Appendix 13 (JA13) of the California Energy Code and installed in accordance with JA13 specifications.</p> <p>Must meet the highest efficiency tier (not including any advanced tier) established CEE.<sup>23</sup></p>
Water Heating	Heat pump water heater (central)	<p>Eligible as a replacement for a gas-fired or electric resistance water heating system.</p> <p>Must appear on CEC's Central Heat Pump Water Heater Performance Map Certification List.<sup>24</sup></p>

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23 Residential products meeting CEE's Highest Tier (not Advanced Tier) are listed at <https://www.ahrinet.org/certification/cee-directory>.

24 [CEC Central Heat Pump Water Heater Performance Map Certification List](https://www.energy.ca.gov/rules-and-regulations/building-energy-efficiency/manufacture-certification-building-equipment-8) is available at <https://www.energy.ca.gov/rules-and-regulations/building-energy-efficiency/manufacture-certification-building-equipment-8>.



<b>Category</b>	<b>Measure</b>	<b>Details</b>
Water Heating	Low-flow showerheads and faucets	Low-flow showerheads are required in conjunction with heat pump water heater installation, if not already present.  Must be WaterSense certified and comply with California Title 20 standard for water efficiency.
Cooking	Induction range or cooktop	Only eligible as a replacement for a gas range or cooktop.  Provide gift card for purchase of compatible cookware.
Laundry	Electric clothes dryer (heat pump or electric resistance)	Only eligible as a replacement for a gas clothes dryer.  Must be ENERGY STAR-certified.
Lighting	Light-emitting diode (LED) bulbs and fixtures	Replace interior and exterior incandescent, compact fluorescent, halogen, and T12 linear fluorescent bulbs with LED. New fixtures may be installed where existing bulbs cannot be upgraded.  Must be certified compliant with Joint Appendix 8 (JA8) of the California Energy Code.
Indoor air quality	Air filtration	Replace existing air filter with a Minimum Efficiency Reporting Value (MERV) 13-rated filter, and associated modifications needed to comply with pressure drop requirements in the California Energy Code.
Electrical	Electrical wiring and panel upsizing	Upgrades and new wiring needed to enable full electrification of the building. <sup>25</sup>  Excludes upgrades on the utility side of the meter and distribution system upgrades, which are ineligible for program funding.  Subject to cost caps (see Table 5).  See Section 5, Electrical Upgrades.

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<sup>25</sup> This may include wiring to support electric vehicle charging, but not the cost of an electric vehicle charging station.

<b>Category</b>	<b>Measure</b>	<b>Details</b>
Electrical	Automatic circuit sharing devices	See Section 5, Electrical Upgrades.
Remediation and safety	May include construction needed to create physical space for decarbonization measures, repair of roof or envelope leaks/damage, remediation of galvanized pipe, lead paint, asbestos, and/or mold, installation of smoke and carbon monoxide alarms, ventilation, and other work needed to bring property up to code.	Subject to cost caps (see Table 5).

Source: CEC staff

### **3. Ineligible Measures**

The following measures are not eligible for funding through this program. However, administrators are encouraged to coordinate with complementary programs that offer these measures.

- Solar photovoltaic systems.
- Battery storage not directly integrated into one of the four key appliances identified in Section 1 above.
- Window replacement (other than for remediation/safety).

The following measures are not eligible for funding through this program.

- Any new system or equipment that uses natural gas, propane, or any other fossil fuel.
- Installation of electric resistance heating to serve as the primary heat source for a home.

### **4. Product Availability Constraints**

Administrators may submit to the CEC Executive Director a request to approve equipment that does not meet the eligibility criteria listed in Table 4 if eligible equipment is not available on the market or is subject to lengthy delays in availability. Such requests must include documentation of the product availability constraint and specifications of the proposed substitute equipment in relation to the eligibility criteria listed in Table 4.

The Executive Director shall review and approve a request to substitute equipment if the Administrator provides: (1) proof of product unavailability exceeding 12 weeks, and (2) proof that no alternative product meeting the eligibility criteria is available. The proposed substitute equipment shall be selected to minimize the impact on the goals of the program and shall not use natural gas, propane, or any other fossil fuel. An approval to substitute equipment will be

effective for a limited period specified by the Executive Director, not to exceed one year. If an Administrator must use ineligible equipment beyond the time period approved by the Executive Director, the Administrator shall submit a new request to the Executive Director.

## **5. Electrical Upgrades**

As shown in Table 4, upgrades to a building's electrical system and upsizing of the electrical panel are eligible measures. However, the CEC encourages building retrofits that avoid the need for electrical panel upgrades when appropriate. While electrical panel upgrades will be needed in some homes, avoiding unnecessary panel upgrades will allow projects to be completed more quickly and at lower cost. Administrators shall encourage contractors to utilize strategies for avoiding unnecessary panel upgrades, such as:

- Use of the load calculation methodology described in California Electrical Code Section 220.87 to determine whether a panel upgrade is needed.
- Selection of low-power appliances, such as 120V heat pump water heaters and heat pump clothes dryers, where appropriate.
- Installation of automatic circuit sharing devices as an alternative to upgrading the electrical panel, where appropriate.
- Avoiding the installation of space heating and water heating systems that have resistance heating elements, where appropriate.
- Use of sub-panels to facilitate the addition of new circuits or when there are not enough open slots to accommodate new circuits in the existing panel.

## **6. Packages of Measures**

Program administrators will be responsible for developing a set of packages of eligible measures to be applied to participating buildings. Packages should be designed to achieve bill savings and greenhouse gas emission reductions in participating households while improving air quality, resiliency, and grid reliability, where possible. The intent of packages is to simplify and streamline the program for participants and contractors with highly replicable activity, and avoid the need for a custom solution to be developed for each building. The expectation is that some packages will include a broad range of eligible measures, while other packages will include a more limited number of measures. Packages should consider variations in appropriate measures based on property attributes such as building type and characteristics (including packages appropriate for manufactured homes), age and condition of existing appliances, climate zone, utility service territory, and site conditions.

Program participants should be provided with choices among packages for which they are eligible whenever possible. Administrators and contractors shall maintain flexibility to modify packages on a case-by-case basis as required to meet the needs and preferences of participating households.

## **7. Equipment Removal**

Replaced equipment must be removed from the site and properly recycled or disposed of in accordance with federal, state, and local regulations. Removal and disposal of appliances containing refrigerant with GWP greater than 150 must follow refrigerant recovery procedures

required by California Code of Regulations Section 95390 and Code of Federal Regulations Title 40, Part 82, Subpart F.

## **8. Eligible Costs**

In addition to the costs of eligible measures listed above, Equitable Building Decarbonization Direct Install Program funds may be used to cover associated costs including installation labor, permitting, engineering design services for multifamily buildings, equipment removal and recycling/disposal, and HERS field verification and diagnostic testing.

## **9. Quality Control and Customer Support**

Administrators will be responsible for the quality of contractors' work for a minimum of 12 months, and for promptly addressing any deficiencies.

Administrators shall ensure that participating households are enrolled in the most appropriate rate plan available from their utility (which may be a rate specifically designed for electric homes), as well as any rate discounts for which they are eligible. Administrators shall offer to assist households to enroll in appropriate rates and discounts for which they are not already enrolled, including budget billing/level pay programs to smooth out monthly variability in energy bills.

Administrators shall ensure that building owners and occupants are informed about the proper operation of their new equipment and any recommended maintenance (for example, the changing or cleaning of filters, setback temperatures, warm-up periods, and programming of equipment). Administrators shall maintain a hotline for customers to report problems and questions regarding equipment operation. The hotline telephone number shall be provided to customers in a clear and useful format, for example on stickers affixed to equipment. Administrators shall summarize and report the content of hotline calls and responses to the CEC.

## **J. Pricing and Cost Caps**

Administrators will be required to implement mechanisms to control costs, such as cost analysis, competitive bidding, and standard pricing for eligible measures. The program will cover 100 percent of the net cost of eligible measures for participating households after applying other applicable incentives, subject to the cost caps in Table 5.

The average per-home cost of remediation and safety measures, including wiring and electrical panel upgrades, shall not exceed the maximums listed in Table 5. These maximum average costs apply to single-family homes, manufactured homes, and per-unit in multifamily buildings. Capping the average, rather than per-home, remediation cost will allow the program to serve homes with a range of remediation needs. Administrators will be expected to collect detailed information on actual remediation measures and costs, and maximum average costs may be adjusted based on this information.

**Table 5: Maximum Average Electrical and Remediation Costs**

<b>Type of Home</b>	<b>Maximum Average Cost for Electrical and Remediation Measures</b>
Single-family and multifamily buildings (per unit)	\$6,000
Manufactured and mobile homes	\$7,200

Source: CEC staff

## **CHAPTER 3:**

# **Tribal Direct Install Program**

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*Recognizing the unique needs of tribes and tribal communities, CEC has set aside funds for a separately administered component of the direct install program to serve buildings owned or managed by California Native American tribes or California tribal organizations, and buildings owned by members of California Native American tribes. Program details will be developed through consultation and engagement with tribes and will be included in a future update to these guidelines.*

# CHAPTER 4:

## Administration

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### A. Program Coordination and Incentive Layering

Numerous federal, state, utility, regional, and local programs offer direct installation or incentives to advance energy efficiency, weatherization, electrification, and decarbonization in California homes. Administrators will be responsible for coordinating with other programs, where possible, to maximize the benefits of the Equitable Building Decarbonization Program.

Program coordination may include:

- Coordination with programs that provide funding for one or more measures that are also eligible through the Equitable Building Decarbonization Program, such as remediation, smart thermostats, electrical panel upgrades, or heat pumps. Leveraging other funding sources will allow more homes to be reached by the Equitable Building Decarbonization Program.
- Coordination with programs that provide funding for complementary measures that are not eligible for Equitable Building Decarbonization Program funding, such as solar photovoltaic panels, electric vehicle charging, shade trees, and battery storage.

To maximize the number of California households that benefit from the Equitable Building Decarbonization Program, complementary funding sources should be applied to a project prior to Equitable Building Decarbonization Program funds whenever possible.

Program coordination should be designed to reduce greenhouse gas emissions and advance energy equity, in alignment with Equitable Building Decarbonization Program goals. In addition, program coordination should consider the following principles:

- Minimize complexity for program participants and contractors.
- Comply with legal and regulatory requirements of each funding source.
- Ensure that the total amount of funding applied to a project does not exceed the actual project cost.

### B. Metrics and Data Collection

Administrators will be required to collect and report specified data from program activities, analyze data on a regular basis, and present results to CEC to help determine the need for adjustments to the program. This data will also be used to inform the CEC's annual reporting to the Legislature as required by Public Resources Code Section 25660.2.

Table 6 and Table 7 list the goals of the program, direction from the program's authorizing legislation (Assembly Bill 209, Chapter 251, Statutes of 2022) that underlies the goals, and metrics that CEC anticipates will be used to track progress toward the goals. Additional overall program metrics and data may include but are not limited to:

- Number of homes retrofitted

- List of installed measures
- Expenditure breakdowns
- Number of occupants in retrofitted homes
- Locations of retrofitted homes (zip code, climate zone, utility service territory)
- Participant opt-out rate
- Participant satisfaction

Metrics will be refined during program development and implementation and used to inform data collection requirements. Data collection requirements and fields will be standardized statewide. The CEC will collaborate with the California Air Resources Board to develop refined metrics and consistent methodologies for quantifying greenhouse gas reductions and other economic, environmental, and public health benefits, including workforce benefits. Data will be collected at the time of the project and for up to 12-24 months post-project.



**Table 6: Primary Goals and Metrics**

<b>Goal</b>	<b>Direction From Authorizing Statute<sup>26</sup></b>	<b>Possible Metrics</b>
Reduce greenhouse gas emissions	The direct install program shall reduce the emissions of greenhouse gases	<ul style="list-style-type: none"> <li>• Greenhouse gas emissions avoided</li> <li>• Cost of avoided greenhouse gas emissions</li> <li>• Type and amount of refrigerant in installed equipment</li> </ul>
Advance energy equity	<ul style="list-style-type: none"> <li>• Participation shall be at minimal or no cost for low-to-moderate-income residents</li> <li>• Encourage energy affordability where feasible</li> <li>• Preference for buildings located in underresourced communities</li> <li>• Preference for buildings owned or managed by a California Native American tribe or a California tribal organization</li> <li>• Preference for buildings owned by a member of a California Native American tribe</li> <li>• May include tenant protections for participating rental properties</li> </ul>	<ul style="list-style-type: none"> <li>• Average reduction in utility bills due to program</li> <li>• Number of homes with increased/reduced bills</li> <li>• Funds directed to low-income households</li> <li>• Funds directed to very low-income households</li> <li>• Funds directed to underresourced communities</li> <li>• Funds directed to disadvantaged communities designed by the California Environmental Protection Agency</li> <li>• Funds directed to tribes, tribal organizations, and tribal members</li> <li>• Average duration of tenant displacement due to project</li> <li>• Average change in rent before/after participation</li> <li>• Number of violations of tenant protection provisions</li> </ul>

Source: CEC staff

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<sup>26</sup> Public Resources Code Section 25665.3.

**Table 7: Secondary Goals and Metrics**

Goal	Direction From Authorizing Statute <sup>27</sup>	Possible Metrics
Improve resiliency to extreme heat	Encourage resiliency to extreme heat where feasible	<ul style="list-style-type: none"> <li>• Number of homes with cooling, insulation, and air-sealing upgrades</li> <li>• Participants’ thermal comfort before and after retrofit</li> </ul>
Improve air quality	<ul style="list-style-type: none"> <li>• Encourage indoor air quality improvements where feasible</li> <li>• Estimate reduced onsite criteria air pollutants</li> </ul>	<ul style="list-style-type: none"> <li>• Number and type of gas appliances and equipment removed from homes</li> <li>• Change in indoor pollutants in sample homes</li> <li>• Estimated onsite reductions in criteria air pollutants</li> </ul>
Support grid reliability	Encourage grid reliability support where feasible	<ul style="list-style-type: none"> <li>• Change in household average coincident peak load</li> <li>• Number of smart thermostats installed</li> <li>• Number of JA13-compliant heat-pump water heaters installed</li> <li>• Households signed up for load-flexibility programs</li> </ul>
Support local workforce and high-quality jobs	<ul style="list-style-type: none"> <li>• Projects shall be performed by workers paid prevailing wage where possible and when applicable</li> <li>• Prioritize applications from implementers that employ workers from local communities</li> </ul>	<ul style="list-style-type: none"> <li>• Proportion of workers that are paid prevailing wages</li> <li>• Average and range of wages by occupation</li> <li>• Jobs that provide employer-paid health insurance, paid leave, and/or a retirement plan</li> <li>• Local workers employed by participating contractors</li> <li>• Licenses and certifications held and newly completed by participating contractors and workers</li> <li>• Above workforce metrics for individuals from priority populations</li> <li>• Number of contracts and dollar value awarded to small businesses or women, minority, disabled veteran, or lesbian, gay, bisexual, and transgender (LGBT) business enterprises.</li> <li>• Participant assessment of contractor professionalism</li> <li>• Participant assessment of job quality</li> </ul>

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<sup>27</sup> Public Resources Code Sections 25660.2 and 25665.3.

Goal	Direction From Authorizing Statute <sup>27</sup>	Possible Metrics
Support the Governor’s goal of 6 million heat pumps installed by 2030	None <sup>28</sup>	<ul style="list-style-type: none"> <li>• Number and type of heat pumps installed</li> <li>• Propane and gas heating/cooling and water heating technologies replaced with heat pumps</li> </ul>
Support the Governor’s goal of 3 million climate-ready and climate-friendly homes by 2030 and 7 million by 2035	None <sup>29</sup>	<ul style="list-style-type: none"> <li>• Number of homes made climate-ready and climate-friendly through the program</li> <li>• Number of homes made all-electric through the program</li> </ul>

Source: CEC staff

### C. Tenant Protection

This program includes tenant protections, which include the following elements: rent increase limitations, eviction protections, information for tenants and property owners on rights and responsibilities under the program, and requirements related to project work and temporary displacement.

The CEC plans to prepare documents (program participation agreements) for Program Administrators to use when contracting with program participants. Program participants will include tenants, property owners, and potentially other relevant participants. Program participation agreements will identify the rights and responsibilities of program participants and will include terms addressing rent increase limitations and eviction protections. Additional details are listed below.

Program participation agreements will take one or more of the following forms: lease addendum, deed recording, or other documents. The form of the program participation agreements may depend on whether the property is already deed restricted, the number of units, or other factors.

Property owners shall also be subject to all applicable state and local laws regarding rent increases, eviction, tenant displacement, and other tenant protections. Where state or local

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28 Goal established in letter from Governor Gavin Newsom to Chair Liane Randolph, California Air Resources Board. July 22, 2022, <https://www.gov.ca.gov/wp-content/uploads/2022/07/07.22.2022-Governors-Letter-to-CARB.pdf>.

29 Goal established in letter from Governor Gavin Newsom to Chair Liane Randolph, California Air Resources Board. July 22, 2022, <https://www.gov.ca.gov/wp-content/uploads/2022/07/07.22.2022-Governors-Letter-to-CARB.pdf>.

laws require more tenant protections than described in this section, the more stringent requirements shall apply.

These tenant protections may be revisited by the CEC based on feedback from program administrators and participants and revised in a future edition of these Guidelines.

### **1. Rent Increases**

For eligible deed-restricted affordable housing, the deed recording must be in place for at least 10 years post-project under this program (or be extended if it would otherwise expire before this time).

For market-rate rental housing, the program participation agreements will include provisions that require a property owner choosing to participate in this program not to increase rent for units improved by the program by more than 3 percent per year. Rent increases up to 3 percent per year must be due to a documented increase in property taxes, operations and maintenance costs, or amortization of improvements unrelated to a project funded by this program. This rent increase limitation will apply:

- 10 years after project completion for buildings with 5 or more units.
- 5 years after project completion for buildings with 1-4 units.

### **2. Eviction**

Program participation agreements will prohibit property owners from terminating a tenancy and/or evicting a tenant from an improved unit before, during, or after the project without just cause as defined in Civil Code Section 1946.2. The property owner must also commit in writing that the building retrofits conducted pursuant to the Equitable Building Decarbonization Program, or any other activity related to the program, shall not be the basis for just cause for eviction.

### **3. Information for Tenants and Property Owners**

Administrators will be responsible for ensuring that project information is available in the predominant languages spoken in the community and is communicated clearly to both property owners and tenants. Such information should include:

- Measures to be installed
- Benefits expected from installed measures
- Expected duration of construction and construction hours
- Whether temporary displacement is required
- Tenant and property owner rights and responsibilities related to participation in this program, including those related to rent increases, evictions, and displacement
- Expected timing of post-project follow-up surveys
- Number to call regarding any concerns related to a project funded by this program

In addition, the CEC will provide information on program benefits and potential impacts that will be required to be provided to tenants prior to execution of any program participation agreements by tenants and commencement of the project.

## **4. Construction Rules and Temporary Displacement**

Project construction shall be limited to 30 days whenever possible.

Projects should be designed to minimize disruption to tenants, avoid the need for temporary displacement if possible, and reduce the duration of displacement if it is necessary. If displacement is needed, tenants shall have the right to return to the same unit once construction is complete and state and local laws governing tenant displacement shall apply.

## **D. Workforce Standards and Requirements**

### **1. Prevailing Wage**

Pursuant to Public Resources Code Section 25665.3(f), "Projects funded pursuant to the direct install program shall be performed by workers paid prevailing wage where possible and when applicable." Building retrofits conducted using Equitable Building Decarbonization Direct Install Program funds will likely trigger public works laws (Labor Code Section 1720, et seq.), a requirement of which is to pay prevailing wages. Administrators ~~will be~~ are fully responsible for complying with all applicable laws, which can include California public works requirements. Only the Department of Industrial Relations (DIR) and courts of competent jurisdiction may issue legally binding determinations that a project is or is not a public works project.

Administrators should assume their projects are public works, and that prevailing wage requirements apply, unless they obtain a determination to the contrary from DIR or an appropriate court. Administrators are also responsible for ensuring their subcontractors comply with applicable prevailing wage requirements. California law provides for substantial damages and financial penalties for failure to pay prevailing wages when such payment is required. Invoices submitted to the CEC for payment will require a certification of compliance with prevailing wage laws.

### **2. Workforce Requirements**

Administrators ~~will be expected to~~ shall propose, implement, and measure results of a workforce plan with the goal of ensuring high-quality installations and creating local, high-quality jobs in the communities served. Workforce plans ~~may~~ shall include the following elements.

### **Contractor Preference**

Administrators shall perform outreach to a diverse set of licensed contractors to participate in the program, with a focus on local contractors in participating underresourced communities. Administrators shall provide preference for contractors that meet at least three of the following criteria:

- Comply with "skilled and trained workforce" standards as defined in Public Contracts Code Section 2600, et seq.
- Are based in the community or county where the work will occur.
- Are small businesses or women, minority, disabled veteran, or LGBT business enterprises.
- Participate in relevant state-approved apprenticeship programs.

- Are party to a multi-craft community workforce and training agreement covering work on the project.
- Employ targeted hiring strategies to create jobs for residents of underresourced, tribal, or low-income communities, and individuals with barriers to employment.<sup>30</sup>
- ~~Have a history of compliance with applicable laws and regulations, including labor laws and building standards.~~

Administrators shall establish an initial priority period for each funding round which limits applications and awards to contractors who meet at least three of the six criteria listed above.

### **Training and Experience Requirements**

~~Administrators are encouraged to leverage training opportunities for contractors and shall~~ establish minimum training and experience requirements for construction workers, including hands-on training to install equipment and appliances eligible for the program, with preference for training programs that compensate contractors for participation. Workers who have either (1) graduated from a state-approved apprenticeship program, or (2) possess at least three years of relevant installation experience and have received training and certification in the type of equipment being installed shall be deemed to have adequate training. At least one-third of all construction workers on a project shall meet the established minimum training and experience requirements.

All electrical panel upgrades shall be installed by state certified electricians.

### **Bundling**

~~Administrators are encouraged to~~ shall group projects per contractor for economies of scale and to encourage contractor participation.

## **E. California Climate Investments**

The Equitable Building Decarbonization Program is part of California Climate Investments, a statewide program that puts billions of Cap-and-Trade dollars to work reducing greenhouse gas emissions, strengthening the economy, and improving public health and the environment, particularly in disadvantaged communities. The Cap-and-Trade program also creates a financial incentive for industries to invest in clean technologies and develop innovative ways to reduce pollution. California Climate Investments projects include affordable housing, renewable energy, public transportation, zero-emission vehicles, environmental restoration, more sustainable agriculture, recycling, and much more. At least 35 percent of these investments are located within and benefiting residents of disadvantaged communities, low-income communities, and low-income households across California. For more information, visit the California Climate Investments website at [caclimateinvestments.ca.gov](https://caclimateinvestments.ca.gov).

Programs part of the California Climate Investments are required to meet minimum levels of investments to projects that benefit residents of disadvantaged communities, low-income

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<sup>30</sup> "Individual with a barrier to employment" is defined in the federal Workforce Innovation and Opportunity Act of 2014, Section 3, Part 24. <https://www.congress.gov/113/bills/hr803/BILLS-113hr803enr.pdf>

communities, and low-income households, collectively referred to as “priority populations.” The following investment targets have been established for the Equitable Building Decarbonization Direct Install Program. These targets apply specifically to the portion of the program funded by California Climate Investments, but are consistent with the design of the program as a whole, as described in Chapter 2 of these guidelines.

- 65% of funds targeted to households in disadvantaged communities.
- 5% of funds targeted to households outside but within one half-mile of a disadvantaged community.
- 20% of funds targeted to low-income communities or households.
- 90% of funds targeted to Priority Populations.

As required by California Climate Investments, the CEC will use Benefit Criteria Tables to determine if projects have a direct benefit to priority populations. Benefit Criteria Tables for this program will be available at [arb.ca.gov/cci-resources](http://arb.ca.gov/cci-resources).

As described in Section B (Metrics and Data Collection), the CEC will collaborate with the California Air Resources Board to develop refined metrics and consistent methodologies for quantifying greenhouse gas reductions and other economic, environmental, and public health benefits, as required by California Climate Investments.

## **F. Guidelines Authority**

These program guidelines are adopted under Public Resources Code Division 15, Chapter 7.6 added by Assembly Bill 209 (Committee on Budget, Chapter 251, Statutes of 2022), which directs the CEC to establish the Equitable Building Decarbonization Program. Under Public Resources Code Section 25665.6, the Administrative Procedure Act (Chapter 3.5 [commencing with Section 11340] of Part 1 of Division 3 of Title 2 of the Government Code) does not apply to the adoption of these guidelines.

## **G. Effective Date of Guidelines**

The Equitable Building Decarbonization Direct Install Program guidelines will take effect only after they have been adopted by the California Energy Commission at a CEC business meeting. Once finalized, the CEC will post the adopted guidelines on the [Equitable Building Decarbonization Program webpage](https://www.energy.ca.gov/programs-and-topics/programs/equitable-building-decarbonization-program) (<https://www.energy.ca.gov/programs-and-topics/programs/equitable-building-decarbonization-program>).

## **H. Interpretation**

Nothing in these guidelines shall be construed to abridge the powers or authority of the CEC or any CEC-designated committee as specified in Division 15 of the Public Resources Code, commencing with Section 25000, or Division 2 of Title 20 of the California Code of Regulations, commencing with Section 1001.

# **I. Changes to Guidelines**

## **1. Substantive Changes**

After adoption, substantive changes to the adopted program guidelines may be made with the approval of the CEC at a publicly noticed meeting. Before adopting any revisions to the guidelines, CEC staff will provide an opportunity for public comment and host one or more staff workshops to discuss the proposed changes. Unless stated otherwise in the resolution approving substantive changes, such changes shall take effect upon adoption by the CEC.

## **2. Nonsubstantive Changes**

If the program guidelines require nonsubstantive changes, such as reorganization of text, grammatical corrections, or other changes that do not materially affect the program, CEC staff will provide a notice of the changes to the associated CEC subscription lists, the CEC website, and the program docket.

# **J. California Environmental Quality Act**

In general, the CEC must comply with California Environmental Quality Act (CEQA),<sup>31</sup> which requires public agencies to identify and consider potential environmental impacts of proposed projects when the CEC supports proposed projects with grants or other subsidies.<sup>32</sup> The CEC has made an initial determination that the development of these guidelines is not a project for purposes of CEQA. However, if the guidelines are a project, the CEC has made an initial finding that they are exempt from CEQA under California Code of Regulations, Title 14, Sections 15307 and 15308. These provisions exempt actions taken by a regulatory agency pursuant to state law to “assure the maintenance, restoration, or enhancement of a natural resource” and actions taken to “assure the maintenance, restoration, enhancement, or protection of the environment” where the action involves procedures for protection of the environment. The CEC has also made an initial determination that the guidelines are exempt from CEQA under the common-sense exemption, California Code of Regulations, Title 14, Section 15061(b)(3), because there is no possibility that the guidelines may have a significant effect on the environment, as defined by CEQA.

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31 Public Resources Code Section 21000 et seq.; see also California Code of Regulations, Title 14, Section 15000 et seq.

32 Public Resources Code Section 21065(b).



# GLOSSARY

<b>Term</b>	<b>Definition</b>
Area median income (AMI)	Median household income based on household size of a geographic area of the state, as annually updated by the Department of Housing and Community Development.
California Energy Commission (CEC)	California’s primary energy policy and planning agency.
Carbon neutrality	A state of net-zero greenhouse gas emissions, in which greenhouse gases emitted to the atmosphere are balanced in equal measure by greenhouse gases removed from the atmosphere.
Community-based organization (CBO)	A nonprofit organization, tribal entity, or governmental entity with demonstrated effectiveness representing an underresourced or tribal community and providing support and services to individuals in the community.
Decarbonization	Activities that reduce or eliminate greenhouse gas emissions, such as by replacing the use of fossil fuels (in buildings, vehicles, industry, and electric power generation) with clean and renewable technologies.
Disadvantaged community	An area identified as disadvantaged by the California Environmental Protection Agency per Senate Bill 535 (Chapter 830, Statutes of 2012) based on geographic, socioeconomic, public health, and environmental hazard criteria. A map of disadvantaged communities is available at <a href="https://calepa.ca.gov/EnvJustice/GHGInvest/">https://calepa.ca.gov/EnvJustice/GHGInvest/</a> .
Energy burden	The percentage of household income spent on energy costs.
ENERGY STAR®	A program run by the U.S. Environmental Protection Agency and the U.S. Department of Energy that promotes energy efficiency by certifying and labeling energy-efficient products.
Global warming potential (GWP)	A measure of how much energy the emissions of 1 ton of a greenhouse gas will absorb over a given period of time (usually 100 years), relative to the emissions of 1 ton of carbon dioxide.
Greenhouse gas (GHG)	Gases that trap heat in the atmosphere, such as carbon dioxide (CO <sub>2</sub> ), methane (CH <sub>4</sub> ), and nitrous oxide (N <sub>2</sub> O).
Heat pump	An appliance that uses electricity to transfer heat from a cool space to a warm space, providing an energy-efficient way to heat and cool buildings or to heat water.
High-quality job	A job that facilitates economic mobility by providing retirement benefits, vacation and sick leave, training opportunities, and wages at or above the average median wage of a region.

Low-income community	A census tract with a median household income at or below 80 percent of the statewide median income, or a census tract with a median household income at or below the threshold designated as low-income by the Department of Housing and Community Development.
Low-income household	A household earning 80 percent or less of the area median income. Low-income thresholds by county and household size are available from the Department of Housing and Community Development at <a href="http://hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits">hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits</a> .
Priority population	For the purpose of California Climate Investments, priority populations include disadvantaged communities, low-income communities, and low-income households. A map of Priority Populations is available at <a href="http://webmaps.arb.ca.gov/PriorityPopulations">webmaps.arb.ca.gov/PriorityPopulations</a> .
Underresourced community	A disadvantaged community or a low-income community.
Very low-income household	A household earning 50 percent or less of the area median income. Very low-income thresholds by county and household size are available from the Department of Housing and Community Development at <a href="http://hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits">hcd.ca.gov/grants-and-funding/income-limits/state-and-federal-income-rent-and-loan-value-limits</a> .