Testimony for the Joint Hearing of the Appropriations and Energy & Technology Committees

May 20, 2010

Proposed Reallocation of Funds Under the American Reinvestment and Recovery Act, Energy Efficiency and Conservation Block Grant.

Good afternoon Senator Harp, Senator Fonfara, Representative Geragosian, Representative Nardello and members of the Appropriations and Energy & Technology Committees. My name is Ray Wilson. I am Director of the Energy Office at the Office of Policy and Management. I am here to testify on behalf of Acting Secretary Sisco regarding the Administration's request to reallocate funding under Connecticut's American Reinvestment and Recovery Act of 2009 (ARRA) Energy Efficiency and Conservation Block Grant (EECBG).

On May 4, 2009, your committees approved the plan application for use of funds under the ARRA EECBG program. Subsequent to this approval the application was submitted the United States Department of Energy (USDOE) and an EECBG award was made to Connecticut on September 14, 2009. The grant award includes two programs referred to as activities. The first activity, the Municipal Energy Efficiency and Conservation Program included ninety percent of the award funds, or $8,634,150 to be used to provide formula grants to the 142 units of local government that are not eligible for direct formula grants from USDOE. The second activity, the Supplemental Regional Bonus Pool Program included ten percent of the award funds, or $959,350 to be used to provide competitive grants to towns that partner with other towns to implement projects that are of a regional benefit.

In November 2009, towns were required to submit to OPM their proposal for the use of their formula block grant allocation. Each town could select to use their EECBG funds for one or more projects – the only limitation was that the projects had to be consistent with the federal EECBG laws and regulations. As of today, OPM has awarded sub-grants to 131 towns under this formula grant activity. Four grant applications are still in process due to the nature of the projects to be funded and required environmental review and sign-off that is not yet completed at the federal level. Seven towns (Branford, Canaan, East Windsor, Lisbon, Lyme, Union and Voluntown) have waived their eligibility for funding under this formula grant activity. For some, the decision was based on a recognition that ARRA funds require strict compliance with many federal laws (for example Davis Bacon wage requirements) and also come with strict reporting requirements. As one town put it – the cost of compliance is greater than the

value of the grant award. The result of these towns waiving their formula grants is the reason we are before you today. The total dollar amount of the waived formula grants is $320,761. Pursuant to state law, legislative approval is needed in order to reallocate funding of this magnitude under a federal block grant award.

OPM and the Governor's Office are seeking to reallocate the majority of these funds to the regional Bonus Pool activity. In addition we are seeking to be allowed to use a small amount for administrative costs associated with running this program. Under the competitive regional "Bonus Pool" activity OPM has received 17 applications with funding requests of $3.0 million. This is three times the amount that was approved for this activity under the EECBG grant award. Given the demand for funding under the "Bonus Pool" Program it is our desire to reallocate the majority of the waived funds under the formula activity to the competitive "Bonus Pool" to fund additional energy projects. We recognize that there are insufficient funds to support all requested projects. With this reallocation, OPM will be able to fund a total of six regional projects. Absent this reallocation, only four projects will be eligible for funding and unused funds in the formula grant activity will need to be returned to the federal government.

The specific amount of the proposed reallocation is as follows:

	ORIGINAL APPROVED ALLOCATION	PROPOSED RECOMMENDATION for REALLOCATION	PROPOSED NET FUNDING CHANGE
Municipal EECBG (formula grants to towns)	$8,634,150	$8,313,389	-$320,761
Supplemental Regional Bonus Pool (competitive program)	$959,350	$1,228,310	+$268,960
OPM Administration costs	$0	$51,801 (0.5% of grant total)	+$51,801
TOTAL	$9,593,500	$9,593,500	

I am available to answer any questions you may have. Thank you for your consideration.