



Governors' Advisors Energy Policy Institute

August 20 - 25, 2020

**National Governors Association
Center for Best Practices**

Virtual Meeting Housekeeping

► *For Technical Support:*

Please chat or contact Tonya Smith (tsmith@nga.org) if you have any technical questions or call/text at (202) 834-0022.

Today's Virtual Meeting: Zoom Controls



The Zoom menu bar appears at the bottom of the Zoom window once the meeting begins.




If you don't see the menu bar, move your mouse slightly and the bar will appear.












Step 3: View List of
Participants

Step 4: Raise Your Hand

Participants (2)

Sarah Shadid (Me)   

TB Tori Bahe (Host)   

 Raise Hand  yes  no  go slower  go faster  more

Mute Me

 Unmute

  Stop Video

 Invite

 7
Participants

 Share Screen

 Chat

Leave Meeting



Welcome & Day 1 Recap

Jessica Rackley, Program Director, National Governors
Association

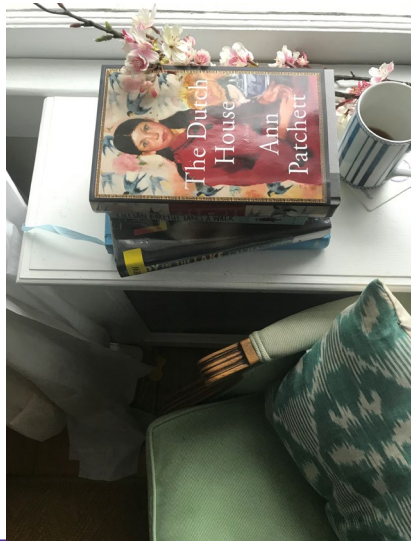
NGA's Energy Team



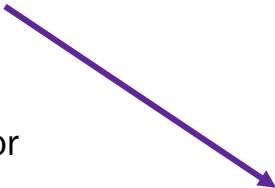
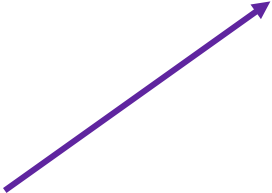
Emma Cimino
Senior Policy Analyst



Jessica Rackley
Program Director



Dan Lauf
Program Director



NGA's Energy Team



Matt Rogotzke
Policy Analyst



Timothy Schoonhoven
Policy Analyst



Alyse Taylor-Anyikire
Senior Policy Analyst



Upcoming Opportunity: Electric Vehicle Grid Integration

- NGA will be hosting a virtual national workshop on EVs and grid integration issues on Sept. 16-18, 2020
- This workshop and a forthcoming policy paper will focus on state strategies to advance EV adoption and prepare the electric grid
- Topics covered during this workshop include:
 - Vehicle-grid-integration
 - Siting charging infrastructure
 - Regulatory considerations
- Please contact Matt, mrogotzke@nga.org



Opening Questions & Polling

Question (please use the hand raising or the chat feature via zoom)

- What is the most interesting new talent/skill/interest that you've gained during the pandemic? Or
- Where would you like to travel to/take your next vacation once you feel comfortable traveling again?



Incorporating Equity into Energy Policy

Speakers:

Carmelita Miller, Energy Equity Legal Counsel, Greenlining Institute

Chandra Farley, Just Energy Director, Partnership for Southern Equity

Moderated by:

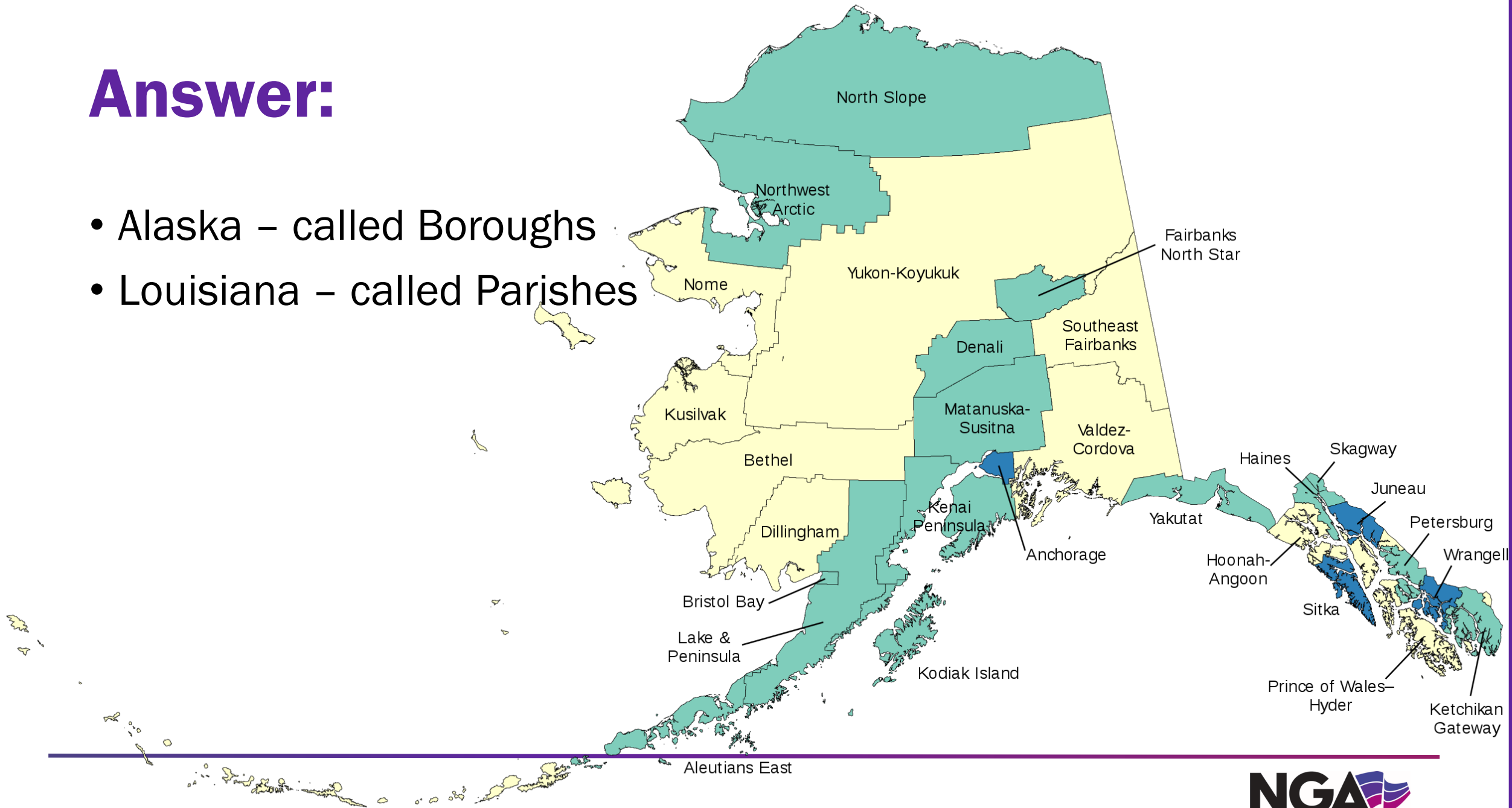
Matt Rogotzke , Policy Analyst, National Governors Association

Trivia!

- Name one of the two states that does not have counties.

Answer:

- Alaska – called Boroughs
- Louisiana – called Parishes





Energy Goals and Budget Holes

Speakers:

Kathryn White, National Association of State Budget Officers

Commissioner Katie Dykes, Connecticut Department of Energy and
Environmental Protection

Moderated by:

Emma Cimino, Senior Policy Analyst, National Governors Association

August 21, 2020

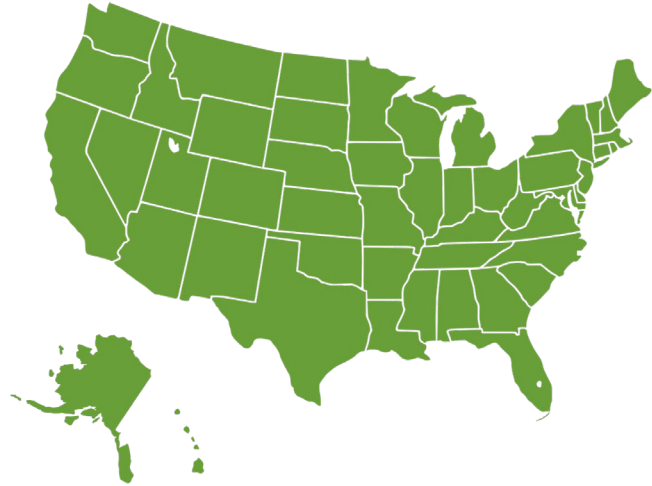
Energy Goals and Budget Holes: Current State Fiscal Conditions

National Governors Association
Energy Policy Institute (EPI)

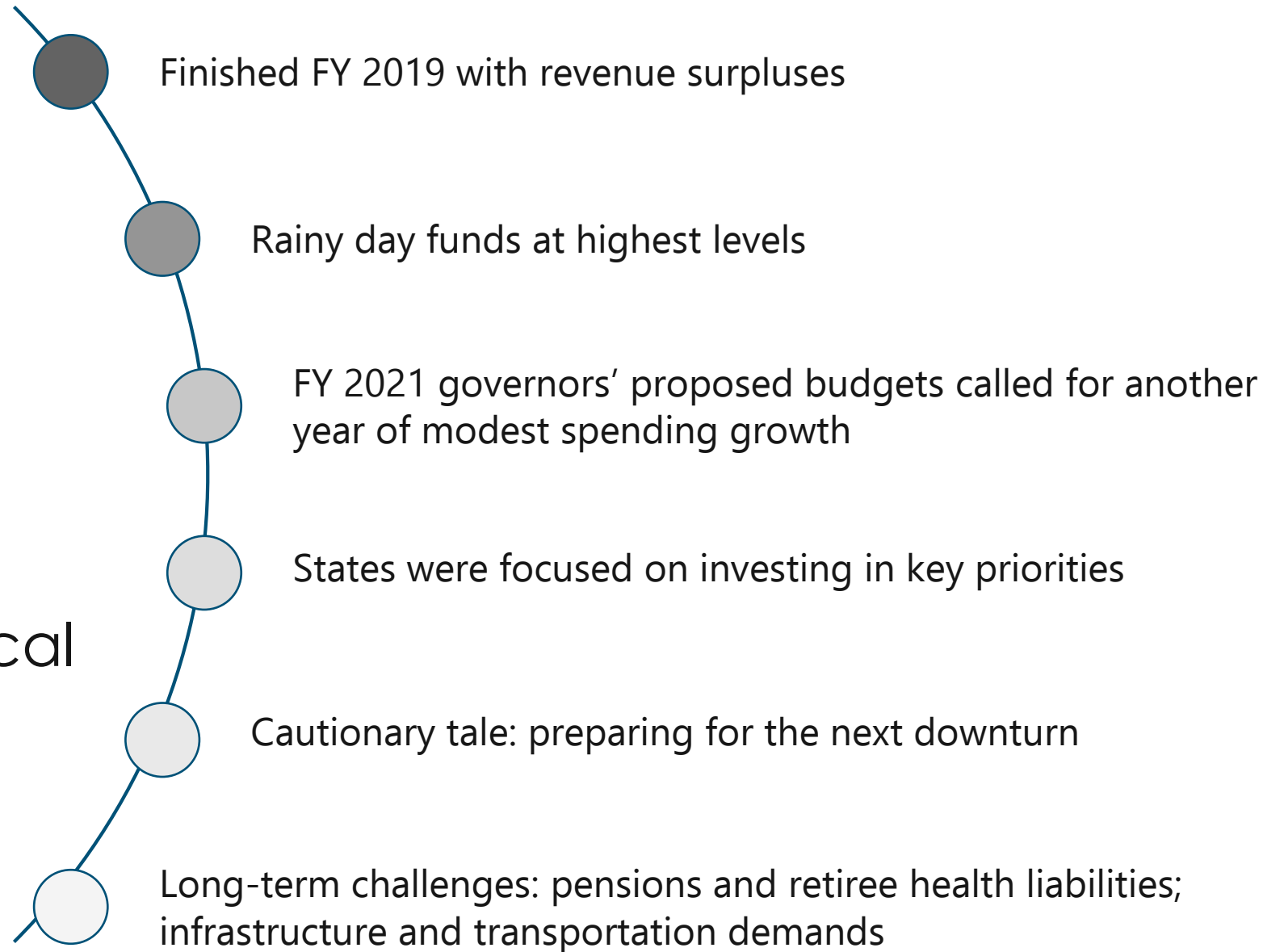


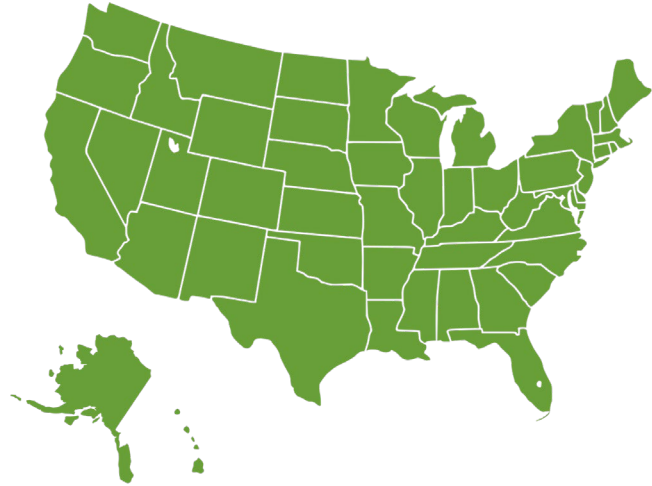
Economic and Fiscal Outlook – Before & After COVID-19





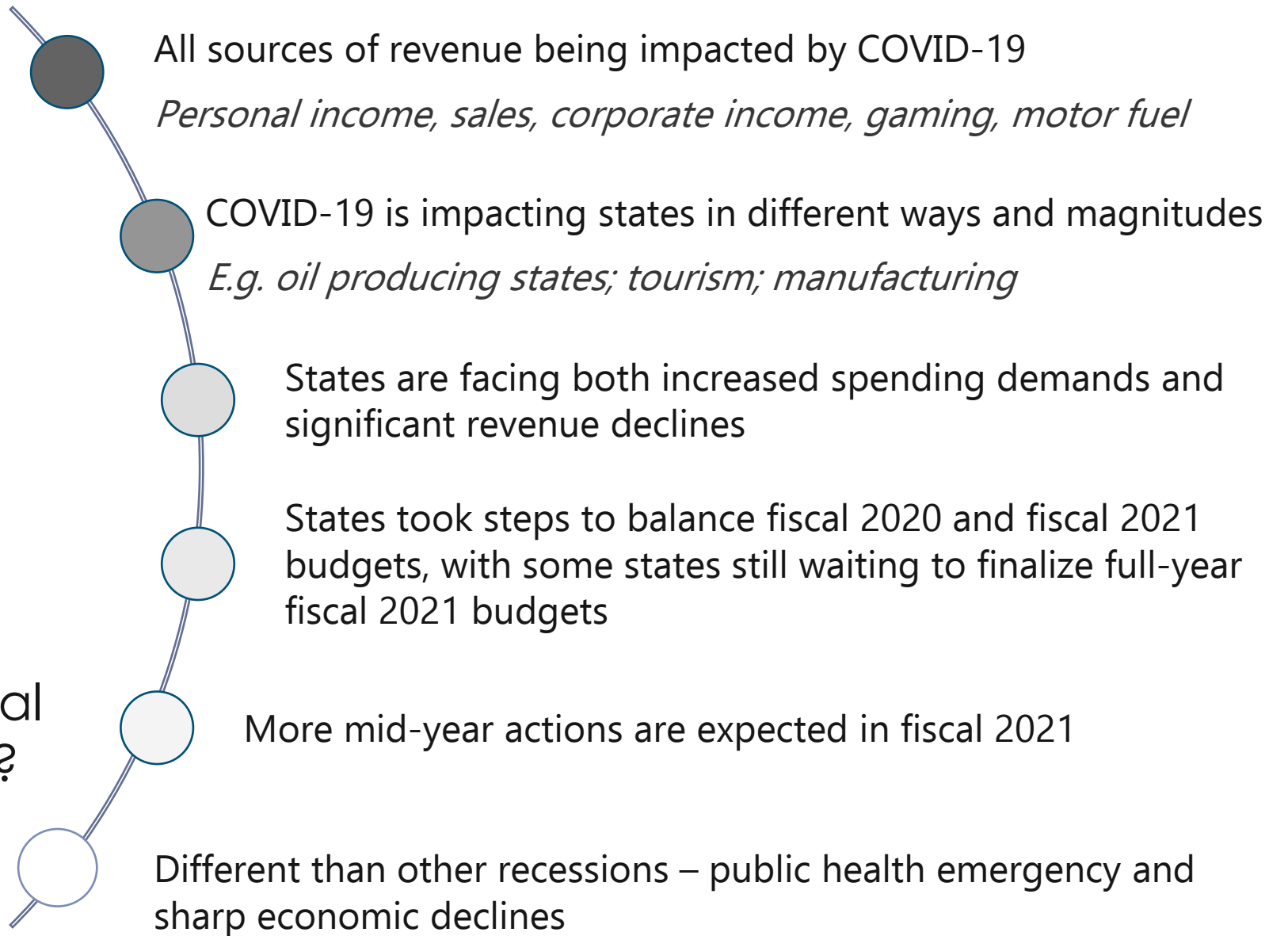
Pre-COVID State Fiscal Environment (February 2020)





What is the current fiscal environment for states?

(August 2020)



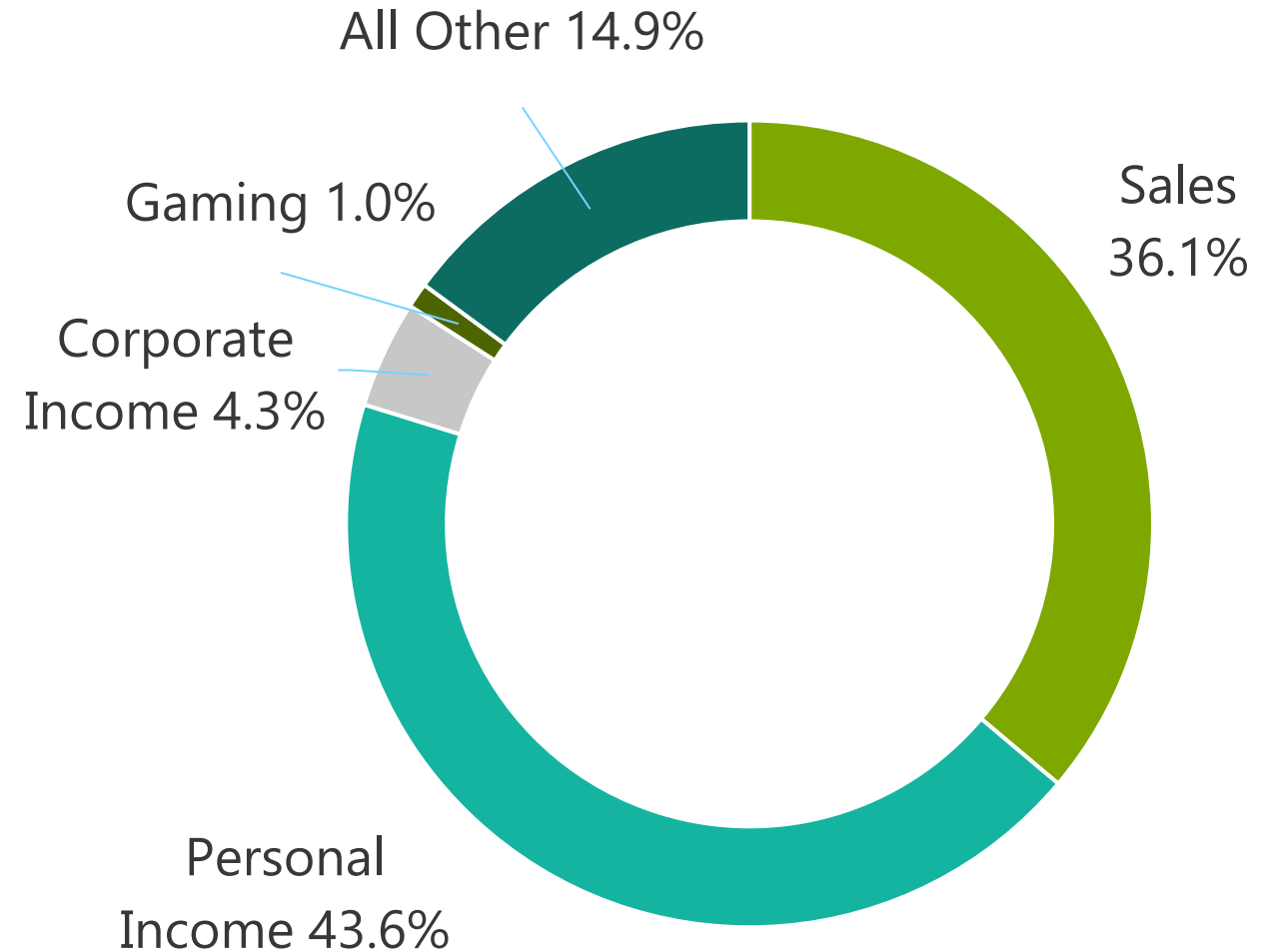
Revenue Outlook for States



Revenue Sources in the General Fund

Percentage

Fiscal 2019



Source: NASBO Fiscal Survey of States



Revenue declines during Great Recession (From fiscal 2008 to fiscal 2010)

-11.6%

Total general
fund revenue



-6.8%

Sales Tax



-14.7%

Personal
Income Tax



-24.1%

Corporate
Income Tax



-7.8%

Gaming Tax

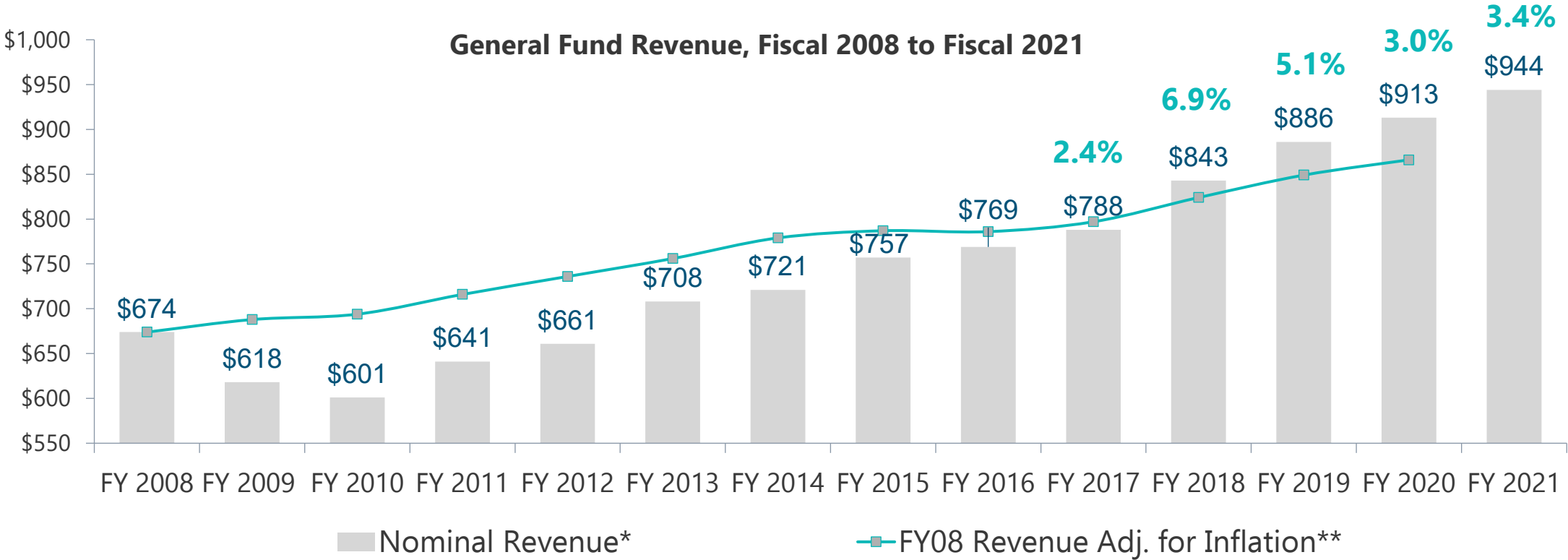


-8.2%

All Other
Revenue



Steep Declines During the Great Recession and a Sluggish Recovery Led Revenues to Lag Behind Real Fiscal 2008 Levels for a Decade

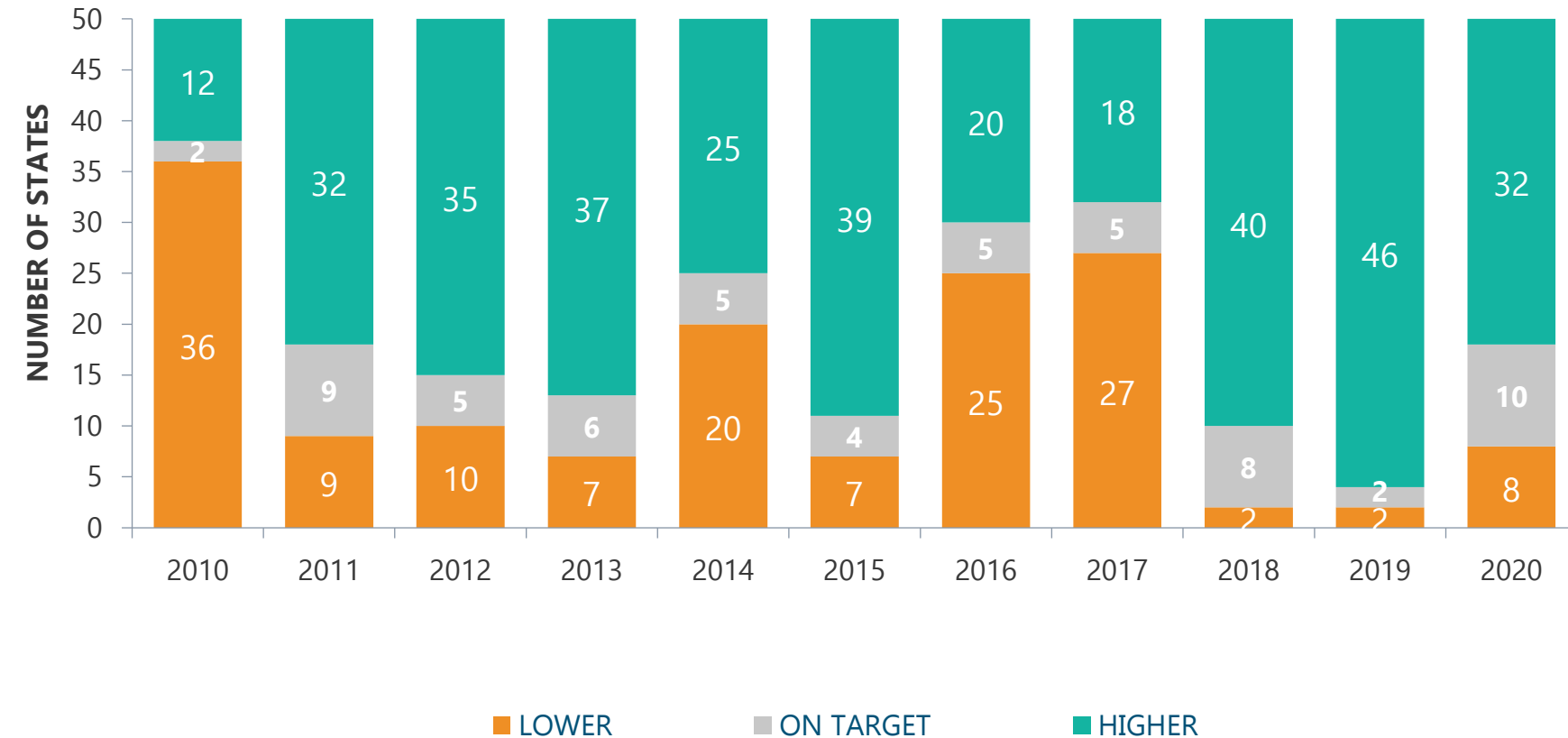


Fiscal 2020 figure is estimated (pre-COVID-19). Fiscal 2021 figure is based on governors' recommended budgets (pre-COVID-19).

Percentages shown represent total annual general fund spending growth.

*Beginning with the Fall 2019 Fiscal Survey edition, Massachusetts now excludes federal reimbursements in its general fund spending and revenue totals. NASBO has adjusted prior 50-state totals from the Fiscal Survey to remove Massachusetts' federal reimbursement amounts (as reported in the state's Comprehensive Annual Financial Report, or CAFR) for comparison purposes.

General Fund Revenue Collections Compared to Budget Projections
by Fiscal Year*



42 States Saw
Revenue Collections
Meeting or
Exceeding Fiscal
2020 Budget
Projections Prior to
the COVID-19 Crisis

A few states reporting
collections below projections
incorporated early impacts of
COVID-19 on their tax
collections

*Fiscal 2020 figures were estimated based predominantly on pre-COVID-19 data. A few states that reported collections coming in lower than projections incorporated some early COVID-19 impacts on their tax collections.

Source: Spring 2020 Fiscal Survey of States



Impact of COVID-19 on State Revenues

States have been releasing updated revenue forecasts – many projecting multi-billion-dollar revenue declines over the next few years

- » This is not expected to be just a one- or two-year problem for state revenues.

These projections are a moving target, surrounded by a lot of uncertainty

- » Huge and uncertain variables in forecasts related to the virus, and when a treatment or vaccine will be available.
- » Tax deadline shift also complicates the forecasting process.

The worst is likely still to come for state tax revenues, as the full economic impacts of the pandemic are felt

- » Federal stimulus measures (checks to individuals, enhanced UI benefits, PPP, etc.) have been propping up the economy and state revenues, but only temporarily.
- » Most states were seeing revenues coming in ahead of projections for fiscal 2020 before the pandemic, which provided some immediate cushion
- » 2020 tax returns mostly based on 2019 economy, which was strong

How States Address Budget Shortfalls





Ways to address budget shortfalls

1

Budget cuts



- Can include targeted cuts, across the board, personnel, etc.

2

Rainy day funds and reserves



- Size of shortfalls greater than amount in rainy day funds
- Try not to drain immediately

3

Increased taxes



- Typically not first option and amount less than budget cuts

4

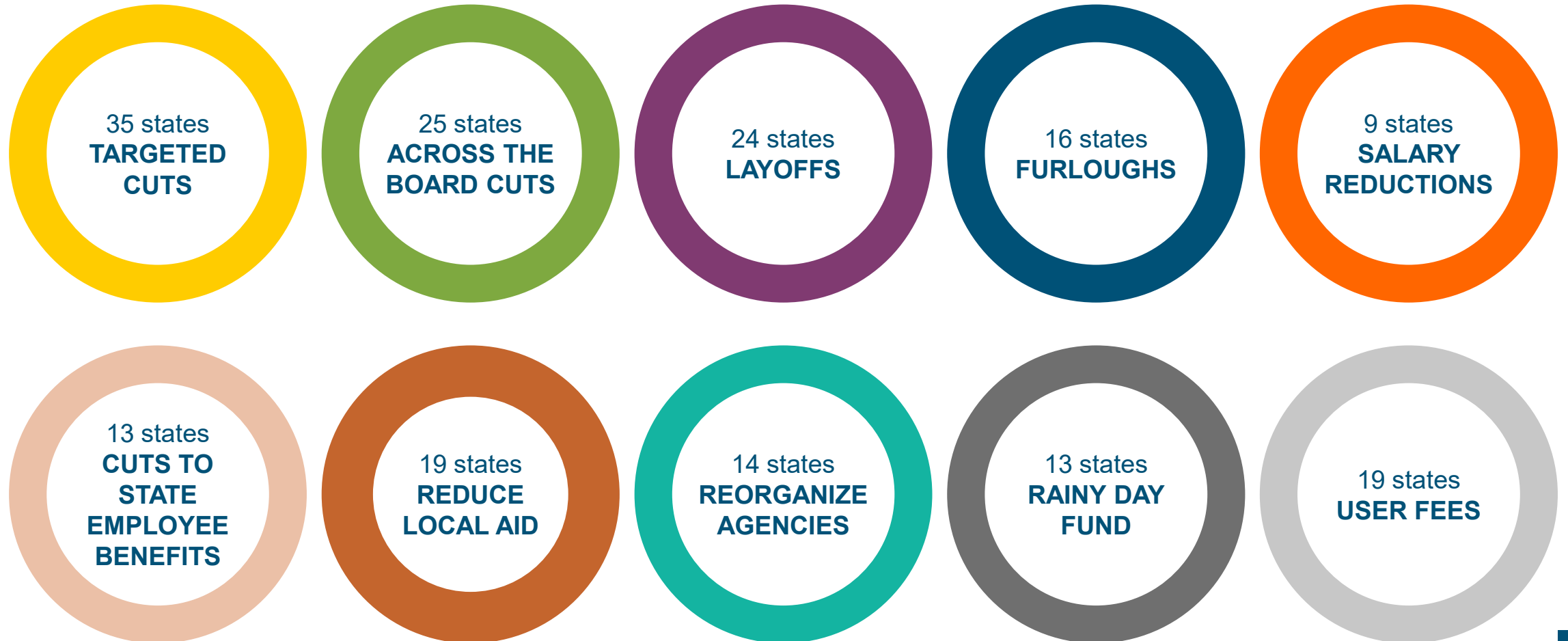
Federal aid



- Was very helpful during Great Recession
- This time: question of how flexible and how much



Strategies Used to Manage Budgets, Fiscal 2010





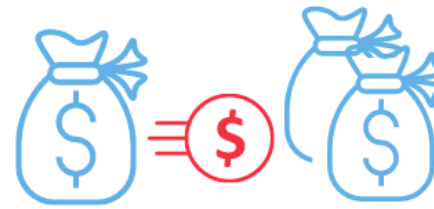
What are states doing so far to manage fiscal 2020 and 2021 budgets?



Across the Board
or Targeted Cuts



Personnel
Actions



One-time
Measures



Rainy Day Fund
Transfers

RESOURCES / [CORONAVIRUS RESOURCES](#) / STATE BUDGET ACTIONS

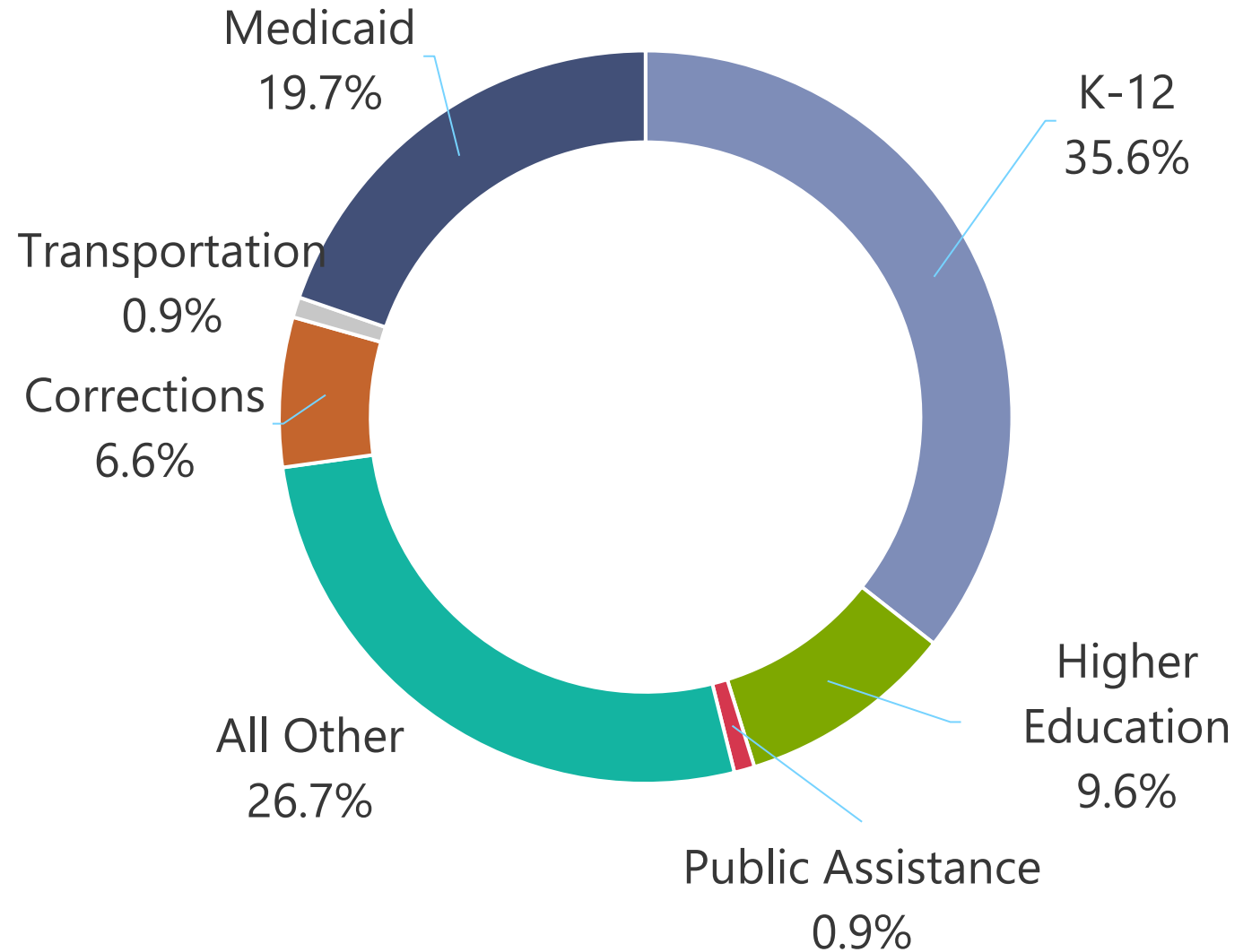
State Budget Actions in Response to COVID-19 Pandemic and Economic Crisis

NASBO Resource: [State Budget Actions in Response to COVID-19](#) (Last Updated: July 1, 2020)

General Funds Expenditures

By Function

Estimated
Fiscal 2019



Source: NASBO State Expenditure Report

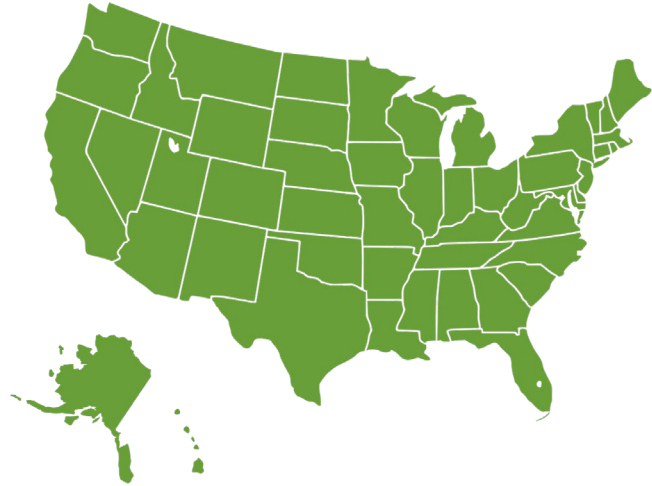


What makes this downturn different?

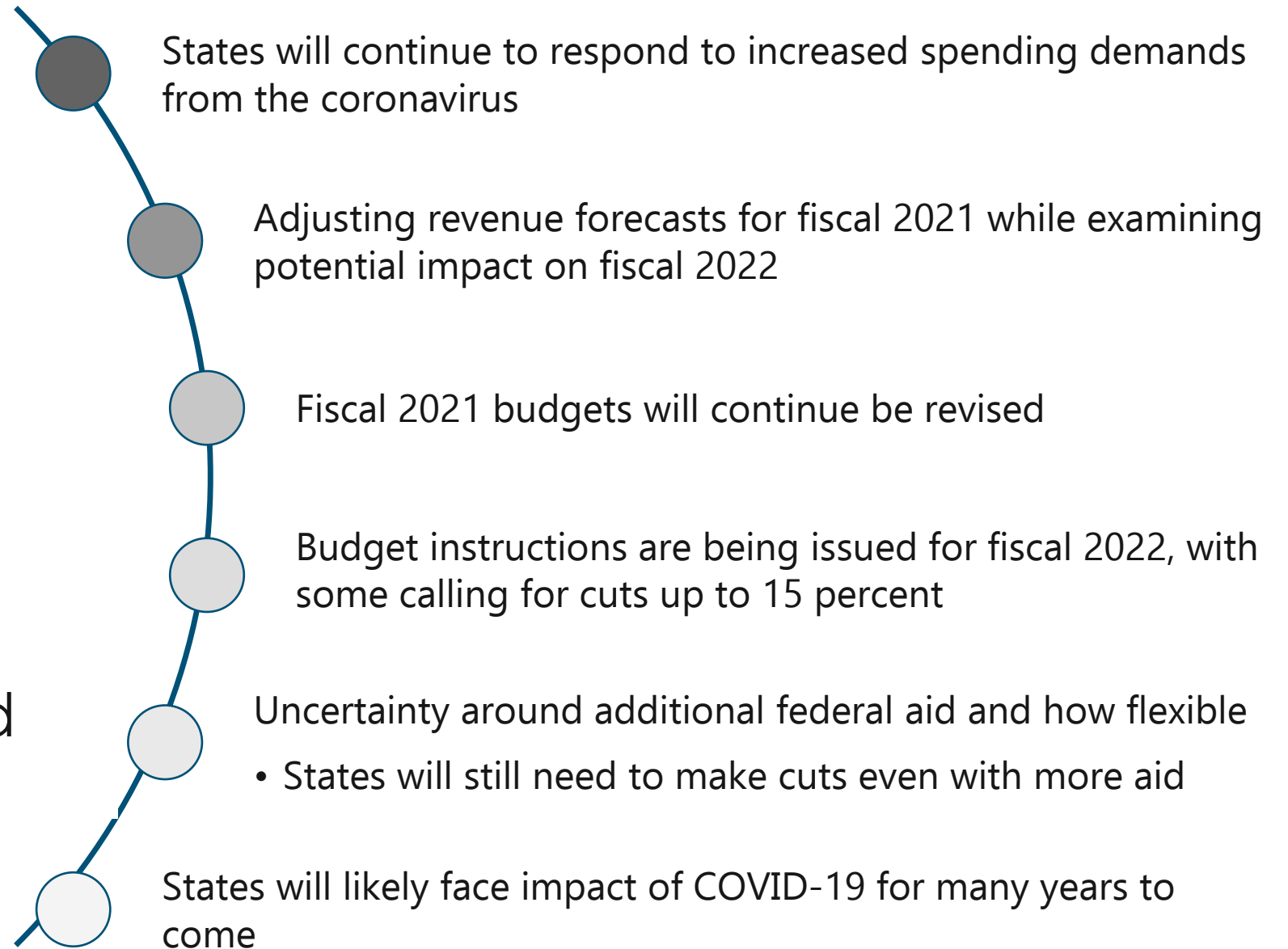
- States knew the economic consequences of closing down nonessential businesses, but the public health crisis left few good options.
- Ripple effect through all areas of government, from reduced transportation revenues to the closing of courts and effect on fee/fine/forfeiture revenues.
- Added expenses from addressing the COVID-19 pandemic.
 - » Budgetary pressures from increased Medicaid caseloads, increased unemployment insurance filings.
- Many more pressing demands on governors in a very short timespan

Outlook for States





Outlook for states FY 2021 and beyond





www.nasbo.org

Kathryn Vesey White

Director of Budget Process Studies
kwhite@nasbo.org

National Association of State Budget Officers | **NASBO**





Energy Goals and Budget Holes

Commissioner Katie Dykes, Connecticut Department
of Energy and Environmental Protection

Trivia!

- Which state lays claim to the most consecutive days above 120 °F?

Answer:

California; 43 days in
Death Valley, from July
6 through August 17,
1917.





State Strategies to Leverage Federal Dollars

Speakers:

Joseph Aldy, Harvard Kennedy School of Government

Jennifer DeCesaro, Senior Advisor, U.S. Department of Energy

Moderator:

Jessica Rackley, Program Director, National Governors Association

Lessons from the 2009 Recovery Act Clean Energy Package

Joseph E. Aldy
Harvard Kennedy School

NGA Energy Policy Institute
August 21, 2020

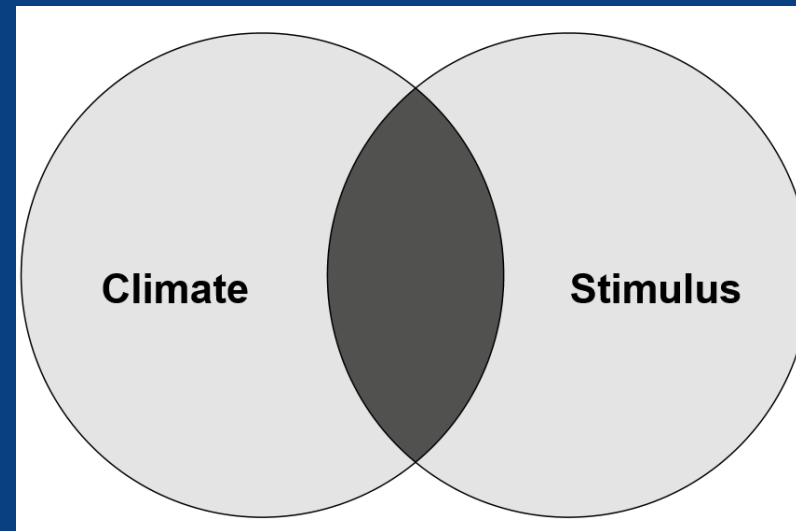
Lessons from ARRA 2009

- Topline Design Considerations
- Impacts of Clean Energy Package
- Lessons from ARRA 2009
- State Government Considerations

Topline Design Considerations

Two Policy Objectives: 2009 ARRA

- Economic Stimulus
 - Timely: when output gap is large
 - Targeted: maximize bang for the buck
 - Temporary: ?
- Clean Energy / Climate
 - Target investments that reduce CO2 emissions



Instrument Choice

- Automatic policy tools
 - Tax credits
 - Formula-based grant programs
 - Move fast, targeting uncertain
- Discretionary policy tools
 - Loan guarantees, grant programs
 - Move slower, could tailor to marginal investment
 - Role of politics

Statutory Authorities

- Use of existing statutory authorities
 - Legislation focused on appropriations, not authorities
 - Existing programs well understood → move faster
- Create new authorities
 - In 2009, two major energy bills (2005, 2007) provided a number of new authorities to use
 - No major energy legislation since 2009!

ARRA Clean Energy Package Design

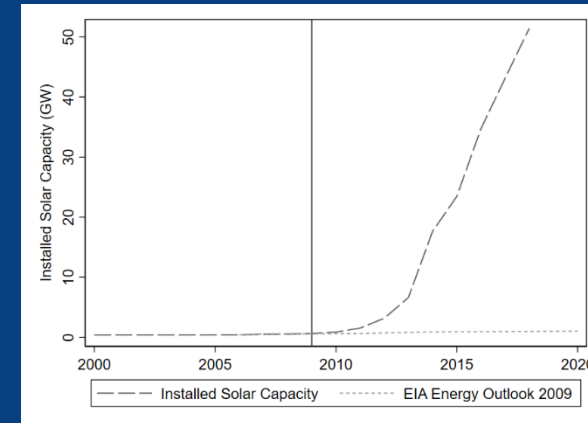
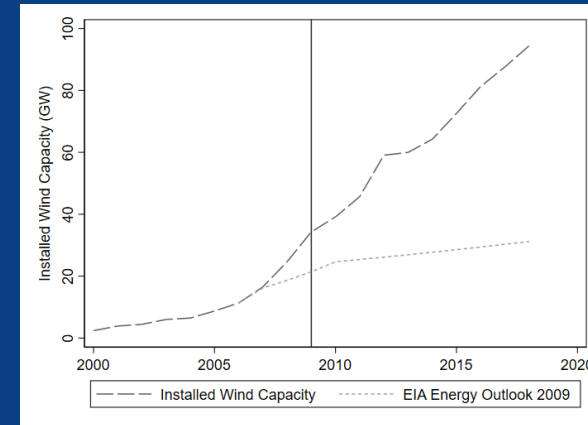
Array of Policy Tools to Spend \$90+ Billion on Clean Energy

Instrument	Example	Score (billions)
Cost-shared grants	Smart grid grants	\$3.4
State block grants	Energy Efficiency and Conservation Block Grants: state, local, and tribal programs	\$2.8
Tax credits	Tax filers could claim 30% of the cost of energy efficiency investments up to a maximum of \$1500	\$2.0
Subsidized bonds	Clean Renewable Energy Bonds provide bondholders with a tax credit in lieu of interest	\$1.6
Loan guarantees	DOE Section 1705 program	\$2.5*
R&D	Advanced Research Projects Agency – Energy (ARPA-E)	\$400
Federal infrastructure	GSA financed Federal facilities retrofits	\$4.5

Successes

- Created 900,000 job-years
- Leveraged private sector spending
- Renewable power capacity growth
 - 2020 wind 4X 2008 level
 - 2020 solar 100X 2008 level

U.S. Wind (top) and Solar Capacity, 2000-2018 (utility sector)



Shortcomings

Poor Targeting

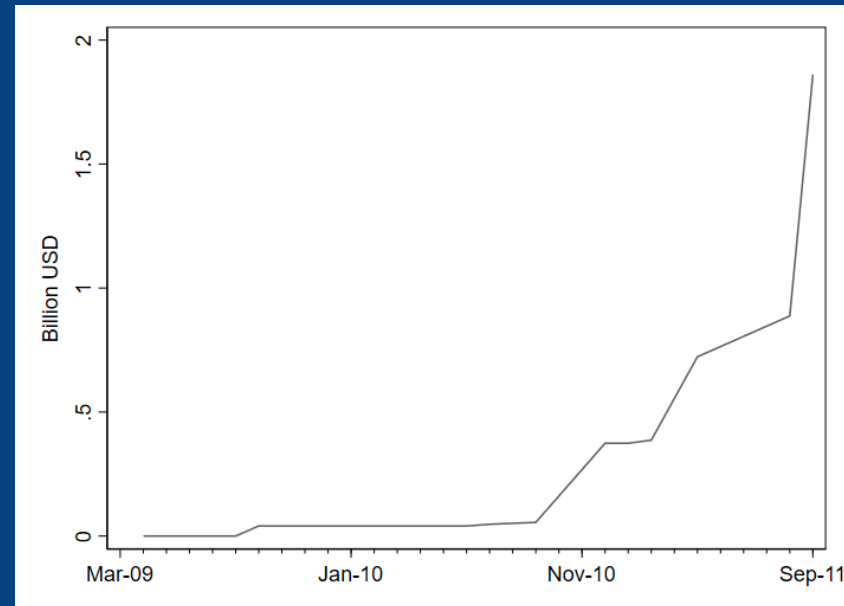
- “Cash 4 Appliances”: 90% of subsidy claimants would have purchased an EnergyStar refrigerator without subsidy

Non-Federal Partners Withdrew from Projects

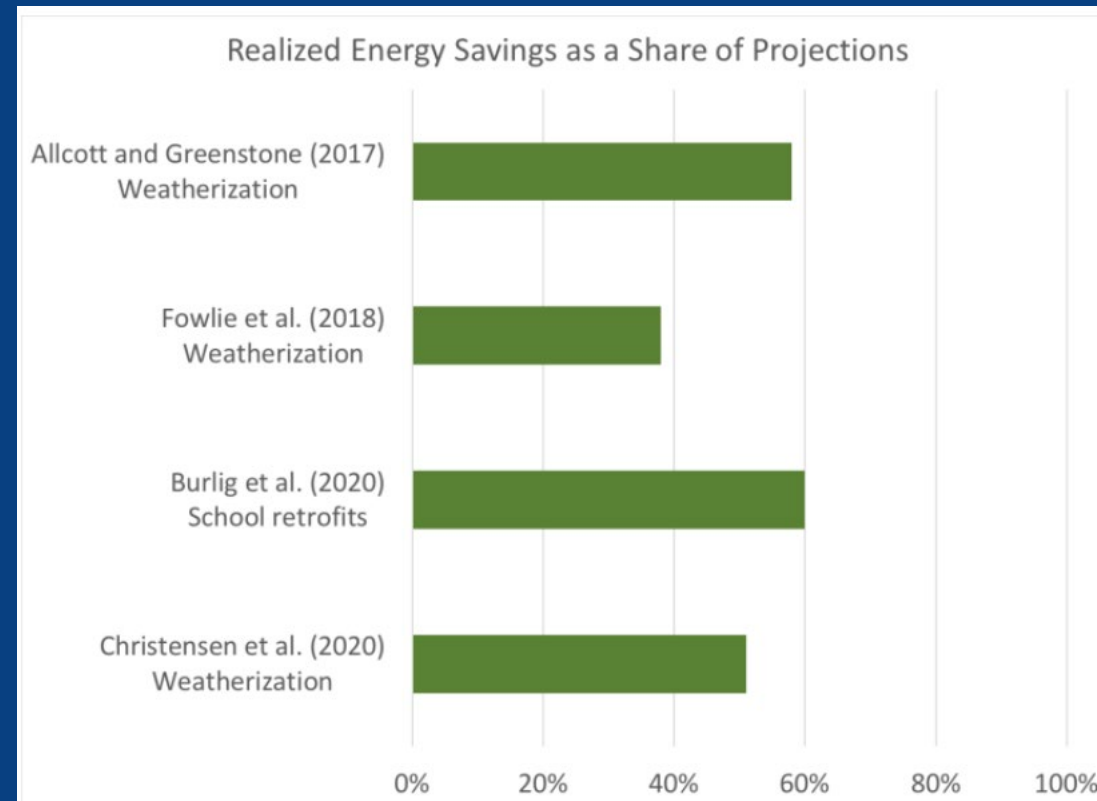
- Carbon capture and storage
- High-speed rail

Slow Roll-Out

- DOE Loan Guarantee Program



Weatherization Assistance Program: Realized Energy Gains Fall Short of Engineering Potential



Source: Meredith Fowlie, UC EI Blog, “The Search for Good Green Stimulus”, June 2020.

Lessons from ARRA 2009

Lessons from ARRA 2009

- Be opportunistic
- Target! Target! Target!
- Keep it simple
- Act, learn, act
- Stimulus in context of long-term policies, goals

State Government Considerations

State Energy Programs

- Existing programs – WAP, State Energy Program – could be increased in future recovery package
- Challenge of ramping up energy programs as states manage major budget shortfalls
- Working with federal government to manage reporting and compliance burdens
- Seek out private sector partners to amplify state government efforts

Federal Spending and State Policy

- States with ambitious goals could benefit from federal subsidies for clean energy
 - Federal renewable power tax credits could lower costs of state RPS goals
 - Federal energy efficiency tax credits could lower costs of state EERS goals
 - Federal EV tax credits could lower costs of state Zero Emission Vehicle goals
- Federal recovery efforts could enable more ambitious state policies

Thank You!

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State Strategies to Leverage Federal Dollars

Jennifer DeCesaro
Department of Energy, Office of Electricity

August 21, 2020

WIP Programs: State Energy Program (SEP) and Weatherization Assistance Program (WAP)



Find information about SEP and WAP funding for your state:
<https://www.energy.gov/eere/wipo/weatherization-and-intergovernmental-program-office-project-map>



FEMA Building Resilient Infrastructure and Communities (BRIC)

Guiding Principles

Support community capability and capacity building



Enable large infrastructure projects



Encourage and enable innovation



Maintain flexibility



Promote partnerships



Provide consistency



Total Available BRIC FUNDING \$500 Million			
Uses of Assistance	\$33.6M State/Territory Allocations	\$20M Tribal Set-Aside	\$446.4M National Competition for Mitigation Projects
Management Costs	✓	✓	✓
Capability and Capacity Building Activities	✓	✓	
Mitigation Projects	✓	✓	✓

Notice of Funding Opportunity: https://www.fema.gov/sites/default/files/2020-08/fema_fy20-bric-notice-of-funding-opportunity_federal-register_August-2020.pdf

Energy Development for Economic Recovery





Day 2 Recap and Discussion
