

Governor's Task Force on Global Warming

Low Income Group Report

In November 2007, Roy Thilly and Tia Nelson, Co-Chairs of the Governor's Task Force on Global Warming, recognized that draft recommendations from various groups will likely have a negative financial impact on low income residents of Wisconsin. In particular, it was noted that the impact is likely to be most severe on utility rates and transportation costs. As a result, the Co-Chairs created the Ad-Hoc Low Income Group to explore the impact and determine if the impact could be mitigated.

While the Low Income Group did not have a specific mission statement to guide it, the Governor's proclamation creating the Task Force states in part:

“Advise the Governor on ongoing opportunities to address global warming locally while growing our state's economy, creating new jobs, and utilizing an appropriate mix of fuels and technologies in Wisconsin's energy and transportation portfolios.”

GUIDING STATEMENT:

The Governor's Task Force on Global Warming is concerned that appropriate and necessary steps to impact the problem of global warming in Wisconsin will have an adverse effect on Wisconsin's low income residents. These households are already struggling to become economically self-sufficient and doing so under mixed conditions, depending on their employment skills, local job markets, rural or urban residence, educational opportunities, family size and other conditions. Wisconsin has a proud history of being committed to equal opportunity for all its citizens, and it is incumbent to honor that history by ensuring that efforts are made to mitigate the impacts of global warming policies on the economic burdens of low income households, consistent with the philosophy of 'a hand up – not a hand out.' It is to address this responsibility that the following recommendations are made in three critical areas: electric rate mitigation, transportation and economic development and job creation.

Citizens who were asked to serve on this group included:

- Chairperson – Forrest Ceel, IBEW 2150
- Joel Haubrich – We Energies
- Peter McAvoy – Sixteenth Street Community Health Center
- Bob Jones – Wisconsin Community Action Program Association
- Jim Phillipppo – Wisconsin Public Service Corporation
- Satya Rhodes-Conway – Center on Wisconsin Strategy
- Earl Buford – BigSTEP
- Vincent Montgomery – Social Development Commission
- Henry Hamilton - Co-Chair of NAACP's Environmental Justice Task Force
- Michael Mueller – We Energies
- Jackie Reynolds – Division of Water Compliance and Consumer Affairs, PSC
- Sue Brown – Division of Energy Services, DOA
- Lori Sakk – PSC (State Agency Support)

Also providing information to the group was Midwest Environmental Advocates.

Three meetings were held:

- Friday, November 30th
- Tuesday, December 4th
- Tuesday, January 8th

The first meeting started with a summary of our assignment by the chairperson. The main agenda items included:

- Educate members regarding the draft reports of the Transportation Group and the Electric Generation Group and to their impacts on low income residents.
- Brainstorm ideas to both mitigating cost impacts and possible opportunities for economic development and job creation.
- Develop a set of recommendations to be presented at the meeting of the full task force on Friday, January 25th, 2008.

The meeting continued with a presentation by Kathy Lipp, who is co-chair of the Electric Generation and Supply workgroup. Her report to the group included a summary of the Electric Generation workgroup's draft report and a Q & A session regarding the impact on utility rates if their recommendations are implemented. The Electric Generation and supply workgroup report is on the overall task force website.

Following Kathy Lipp was a presentation by the Transportation workgroup co-chair, Steve Hiniker. His summary report also led to questions from the group about the impact not only of higher fuel costs directly to the consumer, but also the chain of fuel costs and their impact on the economy. The Transportation workgroup report is also on the overall task force website.

Our final presentation that morning was given by Joel Haubrich of We Energies. It was the same presentation Joel gave to the full task force on energy costs of low income residents that led to the formation of the Low Income work group. Joel's presentation is on the overall task force website.

Public comment time was made available with plans for the second meeting to include discussion of options to present the full task force.

At the second meeting held December 4th, 2007, the group heard a presentation by Satya Rhodes-Conway of the Center on Wisconsin Strategy (COWS). Her presentation focused on public policies that, if properly funded and administered, could lead to economic development and job creation while positively impacting the reduction of greenhouse gases. The report from COWS is on the task force website.

The group devoted most of the remaining meeting time to analyze the information presented thus far and start brainstorming suggestions for the full task force. The following recommendations should be considered as a menu of suggestions and not as

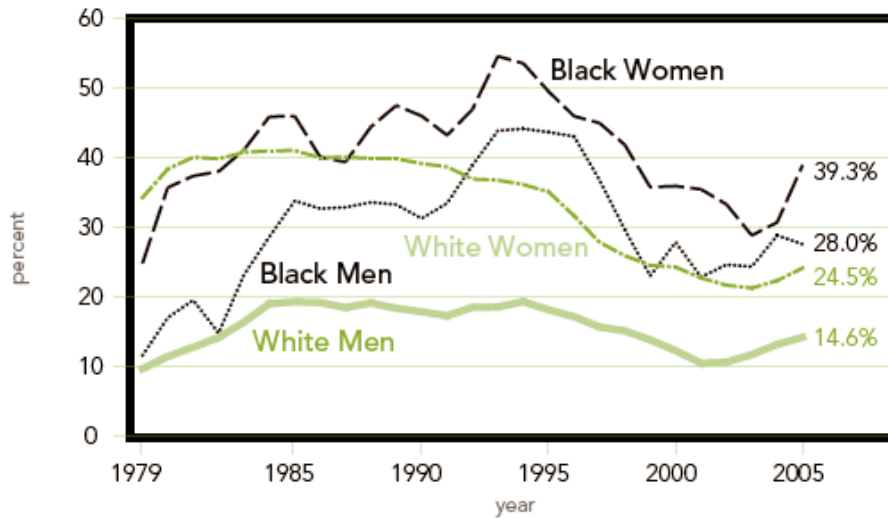
final solutions to problems that have been impacting utilities, ratepayers, and the state's economy for years.

The Connection between Poverty and Energy in Wisconsin:

Building on the input from members of this Ad-Hoc Group, below are statistics that help illustrate the problem.

- Wisconsin residents living in poverty
 - 591,850
- Wisconsin children living in poverty
 - 191,952
- Wisconsin Poverty rates
 - White 8.5%
 - Latino 26.8%
 - Black 34.9%¹

Share of Wisconsin Workers Earning Poverty Wages, 1979–2005 (wages less than \$9.52 per hour, 2005 dollars)



Source: COWS analysis of CPS data.

An example: Poverty and Energy

- We Energies average monthly electric charge = \$69.37 (Oct. 2007).²
- We Energies average monthly gas charge = \$86.54 (Oct. 2007)

¹ The Center of Wisconsin Strategy (COWS), The State of Working Wisconsin, 2006.

² <http://www.we-energies.com>

- We Energies average total bill of \$155.91 per month.
- EIA estimates that one person uses 590 gallons of gas per year. Multiply that by \$2.75 and you get an average monthly gasoline bill of \$135.20.
- A person living at or below the poverty line then has an average monthly energy cost is \$291.11.³

Recommendations for Electric Rate Mitigation:

Effective efforts to increase energy efficiency will involve increasing the cost of this commodity. Increased costs will adversely affect low income households in Wisconsin, those who are the most vulnerable and least able to withstand such cost signals.

- Conservation rate structures should be examined as a viable method of encouraging energy efficiency. It is critical, however, that any such structure be designed to be sensitive to the unique nature of low income housing, energy consumption and ability to pay. A structure where the first ‘block’ of kilowatt consumption could be sold at below cost, with incremental increases in rates as consumption increases, is viable but must be sensitive to the fact that, because of the nature of a substantial portion of low income housing, consumption is not easily controlled by low income households and higher costs linked to higher consumption could be an unfair burden. Consideration of this alternative is viable only if linked to implementation of recommendations following, which urge an increased commitment to improving the housing stock and weatherization of low income dwelling units, both owned and rented.

*Example: First 500 kilowatts sold below cost
Each 500 kilowatt increment sold at higher cost
Highest consumption would pay above market rates*

- A benchmark of 200% of poverty should be used when designing assistance to eligible households. Long-standing definitions of poverty levels are no longer practical in current economic conditions. Current energy efficiency and bill payment assistance eligibility is 150% of poverty; Wisconsin links its state efforts in these areas to federal support and this existing system should not be changed. Our recommendation of looking at increased eligibility standards applies only to additional funding which may be made available as a direct result of addressing the task force’s recommendations.
- The State should examine the feasibility of making permanent funding for the Governor’s Energy Assistance Program, which provides one-time bill payment assistance to households between 150% and 200% of poverty.

³ http://www.eia.doe.gov/emeu/rtecs/nhts_survey/2001/tablefiles/page_a02.html

- Examine the viability of implementing rate structures where households below 200% of poverty would pay a set percentage of their income on energy rates, either fixed or with a sliding scale as income increases.
- The State should commit to deriving income from implementation of any ‘cap & trade’ systems and should set aside a percentage level needed to meet the workgroup’s recommendation of any income derived from ‘cap & trade’ systems and revenue from ‘carbon taxes’ to provide funding for low income programs created as a result of the task force’s recommendations. Current existing funding should NOT be used; current funding impacts less than 30% of low income energy costs and any re-allocation or diversion for new programming would only shift the nature of problems, not resolve them.
- Recognizing that an extensive network of low income energy service delivery systems are already in operation within the State, any new funding that is brought to the State for the purposes of providing energy assistance, conservation or weatherization services to low income households, should be operated through or in conjunction with these programs. Further, funding should be flexible and should be structured in a manner that complements the existing funding mechanisms under 2005 Wisconsin Act 141. In addition, flexibility must be provided to expand the operational staff capacity of existing program delivery systems and allowance granted for increasing bill payment benefits commiserate with need.
- A major investment needs to be made in improving the housing stock of low income households. Too often, homes that could be weatherized are passed over because structural rehabilitation is required first. Existing resources from the federal and state governments are not adequate and are currently subscribed for critically important purposes. New money is needed, money that is provided in a flexible manner to best complement needs which would allow increased energy efficiency measures to be provided.

The State should examine how to improve enforcement of existing rental code standards which require compliance to weatherization standards when there is a transfer of ownership of rental property. It is important in examining this issue to keep in mind that a substantial sector of the landlord population in the state are ‘small businesses’ who own one or very few properties and do not always have the resources to make needed changes which may be required. Increased enforcement should be linked to assistance to landlords in need; the point of this recommendation is to not to ‘enforce’ but to ‘comply.’

- Regulations should be changed so that ALL low income households between 150% and 200% of poverty are eligible for services under the existing Focus on Energy’s Home Targeted Improvement Program.

- A growing number of Wisconsin residents who are ‘baby boomers’ will soon be utilizing the Social Security program as their main or sole source of income. This has the potential to substantially increase the number of low income ratepayers into an already burdensome system with limited funding to address their needs. We strongly urge that the feasibility be examined of implementing ‘needs formulas’ into the funding for these recommendations, similar to those that have proved so successful under Wisconsin’s ‘public benefits’ law.

Recommendations Regarding the Transportation Sector:

While the Transportation Workgroup addressed most issues in this sector, our comments during meetings expressed the frustration that rising vehicle fuel costs impact both urban and rural low income citizens. Recognizing that higher priced alternative fuel vehicles are not likely to be a solution for low income communities, this group centered its discussion on mass transit. While the future of mass transit systems continues to be debated in Wisconsin, they are currently in decline in urban areas and almost non-existent in rural areas. Where available, costs continue to increase, exasperating the situation of low income citizens’ attempts to integrate themselves into the economy. On the other hand, investment in both regional and local mass transit systems would create construction, operations, & maintenance jobs. In addition, efficient, affordable, and ubiquitous transportation would be an aid to those in poverty seeking jobs that are currently geographically inaccessible. It should also be noted that reducing emissions from vehicles will likely disproportionately improve air quality and public health in low income communities, since these communities currently bear disproportionate negative impacts from vehicle emissions.

The group recommends the following:

- State policy should ensure that low income communities are well served by affordable and comprehensive transit systems, both within and between communities.
- Within larger communities, a true workforce transit system (one that allows frequent and easy access to home, work, childcare, school, shopping, etc.) must be available to reduce the cost of transportation for low income households.
- Care must be taken to invest both in the expansion of transit systems to unserved areas (to encourage those populations to shift modes) and in the improvement of existing systems, which are more likely to serve low income communities.
- Fares must remain affordable.
- Attention must be paid to the source of transit funding, and its impact on low income communities. For example, the sales tax is a regressive tax with a disproportionate impact on low income families. An income tax, on the other hand, is more progressive.
- Any efforts around transportation demand management and land use planning should specifically recognize the needs of low income workers and communities.
- Serious examination needs to be made of how to feasibly expand mass transit systems and strategies into rural areas.
- Strong consideration should be given to funding at increased levels for existing models, of growing popularity, which help low income households purchase

dependable cars for getting to work, etc. At a minimum, financial incentives should be provided to these programs to make more feasible the purchase of the most efficient vehicles, hybrids and other future 'green' models.

- It is critical that the State provide resources and implement an allocation system which will provide additional funding to low income houses to offset the increased prices in transportation-related commodities, such as food and clothing. This can best be done by linking increased funding to increased prices, as identified by the CPI or some other measurement, and distributing funds through already existing distribution systems, such as the Earned Income Tax Credit or Electronic Benefit System.
- Anticipating increased food security burdens as a result of transportation-related increases in the price of food, the State should invest additional resources in food pantries and school meal programs.

Recommendations Linking Overall Task Force Recommendations to Economic Development and Job Creation:

Discussion among the group members, along with presentations to the group, inspired a degree of optimism that Governor Doyle's desire to have economic benefit result from reduced carbon emission could be realized. Alliances across the nation and in Wisconsin such as the Apollo Alliance, COWS, the Blue-Green Alliance, and other business, labor, and environmental groups are seeing that going green can generate profits while protecting air, land, and water resources. It was agreed that the economic engine of green business is going to continue to grow across the nation and that Wisconsin should place itself in a leadership position.

Opportunities include:

Green Manufacturing:

- Component manufacturing for renewable generation (wind turbines, solar panels, solar water heating):
This is already going on in Wisconsin but needs to be expanded. Wisconsin's still formidable manufacturing base could be the springboard for driving this sector resulting in more business development and good jobs.
- Utility Scale Wind Power:
The proposed increase in the RPS from the Electric Generation Workgroup will, on its own, generate thousands of jobs in construction, operations, and maintenance of wind turbines. The 7,500 Wisconsin based wind megawatts translate to 5,000 towers and turbines. Currently there are hundreds of workers that will be constructing the approved wind farms in Wisconsin. The RPS expansion will generate hundreds, if not thousands, more. If turbine manufacturing could take hold in Wisconsin there would be more jobs created by the sale of turbines to other states.
- Retrofit Housing Projects:
Consider implementing the pilot program known as the "Milwaukee Retrofit" that the Department of Administration is considering for the City of Milwaukee. This

program would require the investment of \$197 million but would save an estimated \$60 million per year with a payback of 3.3 years. This could be financed having ratepayers' homes that have been retrofitted to pay a temporary utility surcharge or property tax assessment until their respective retrofit was paid in full. This is likely to result in several thousand jobs. Wisconsin should also look at enforcing and expanding point-of-sale upgrade requirements. While Wisconsin currently has a point-of-sale upgrade requirement for rental properties, it is not well enforced, and the standards could bear upgrading. Further, there are other governments that require point-of-sale upgrades for all property transactions. Wisconsin should consider expanding its program beyond rental properties.

- Cleaner Base-Load Power Sources:

In November 2007, the Midwest Governor's Association met in Milwaukee to discuss a regional energy policy. As a result of the discussions, the Governors agreed that coal was still an integral part of our energy future. Traditional coal plants can be upgraded with resulting reduction in emissions. New technology plants for the future can include Integrated Combined Cycle technology with carbon capture and storage proposals. Tests are being done all over the world, including at the Pleasant Prairie Power Plant in Kenosha that aim to successfully capture carbon dioxide. The problem regarding its storage could be solved by the construction of a pipeline system to Illinois locations that have geological features to store carbon dioxide. These infrastructure improvements provide an opportunity to use a comparatively lower cost fuel while reducing emissions. The resulting job creation from low emission plant construction, operations, and maintenance, along with the CO2 pipeline infrastructure, could result in thousands of new good jobs for those currently in poverty.

- Distributed Generation:

All too often any discussion of renewable energy focuses on utility-scale projects. Distributed generation at the household level should be considered as well, and programs to overcome the capital investment barrier that stops most households from installing renewable generation should be initiated. The most recent innovation in this field is Berkeley's Sustainable Energy Financing District.⁴ This voluntary program would allow property owners to finance energy efficiency improvements and the installation of solar systems via a 20-year assessment on their property tax bill. The idea is based on "special assessment districts" which are used to fund infrastructure improvements such as curb and gutter, undergrounding utilities, sidewalk improvements and the like. Funding would come from city-floated taxable bonds, the work would be done by certified contractors, and property owners would pay only for the cost of their improvements and a program administration fee. Another possibility is to establish a municipal "utility" to install and manage distributed generation. For example, Santa Clara, California rents solar equipment to private citizens and businesses to heat their swimming pools, process water, and domestic hot water.

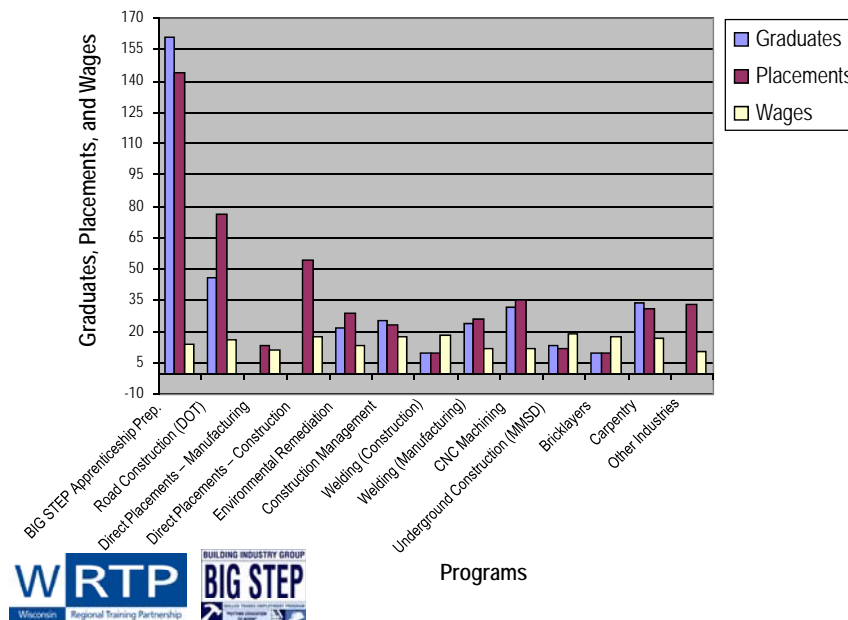
⁴ For more information, contact the Office of the Mayor: (510) 981-7100, mayor@ci.berkeley.ca.us or <http://www.ci.berkeley.ca.us/mayor>

The solar components (solar collectors, controls and storage tanks) are owned and maintained by the city; renters pay an initial installation fee and a monthly utility fee that varies according to the size of the installation. Renters keep any money saved in energy bills.⁵

Job Training for Green Jobs:

In addition to ensuring that good jobs are being created, Wisconsin needs to ensure that workers are being well trained for existing and emerging jobs. Job training for real jobs is key to moving many of our fellow citizens out of poverty. A successful example of this is the Wisconsin Regional Training Partnership (WRTP) in Milwaukee. This partnership of business, labor, government, and community groups did not make the mistake of training people for jobs that do not exist. Instead, the participating businesses determine the skills needed and the training center matches prospective workers and trains them to meet the business needs. The success of this program is indicated by the businesses that have chosen to participate and the 70% retention rate of those who enter into these jobs. Below is a graph indicating the businesses that have benefited from this partnership. These businesses and workers can become economic drivers in the emerging green economy.

2006 Results: Graduates, Placements, and Wages



⁵ “New Energy for Cities” (The Apollo Alliance, 2006) available at: http://www.cows.org/pdf/rp-new_energy_cities.pdf

The WTRP/BIG STEP program has four key characteristics:

1. They involve all the stakeholders. Key constituencies are labor, business, training providers (such as technical colleges), workforce development boards, job centers, and community groups.
2. They start with the jobs and train people for them, rather than training people and then trying to find them jobs.
3. They are regionally specific.
4. They started with one industry and/or career pathway and have expanded.

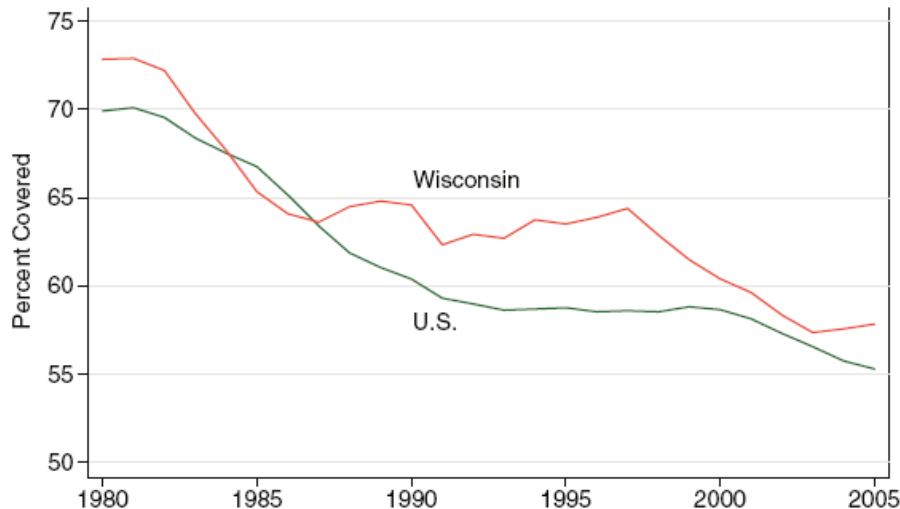
This successful effort should be modified and implemented to meet the needs of other Wisconsin communities currently suffering economic hard times. Any replication of the WTRP/BIG STEP model should be regionally specific and focus specifically on green career pathways. It is particularly important to be mindful of the first three characteristics listed above when designing or funding new workforce development programs.

Good Green Jobs...Not Just Job Creation:

A key to reducing poverty in Wisconsin in a green economy is making sure that new jobs are of high quality with a good wage and family supporting benefits. A concern is that the state could fall into a trap that equates green job creation with reducing poverty. A state subsidized or tax incentive program that results in jobs with poverty level wages is not what the new green economy should be built upon. As stated by Satya Rhodes-Conway from COWS, “Attaching labor standards to any public funding can help accomplish this. A number of state and municipal governments around the country attach job quality standards to government subsidies or tax breaks. These standards ensure that employers provide decent jobs with adequate wages and or benefits, helping workers support their families and minimizing the ‘hidden taxpayer costs’ of government food stamps, Medicare and the Earned Income Tax Credit.”

Figure 1

Private Sector Employer-Provided Health Insurance Coverage, WI and U.S., 1980-2005



Note: Figures plotted are three-year moving averages

Source: EPI analysis of Current Population Survey March supplement.

These standards usually take the form of wage standards and mandates for employer-provided healthcare. Other job quality issues which can be addressed include requirements that new jobs created by the business be permanent and full-time jobs, that new jobs offer opportunities for training and career advancement, that workers be allowed sick leave and/or paid vacation, and/or that a percentage of the new jobs be given to local residents. Where appropriate, the state can also require that any contractor make use of trained apprentices, thus creating opportunities for individuals new to the trades. These apprenticeship requirements are typically incorporated into Project Labor Agreements (PLAs) or agreements between units of government and contractors carrying out publically funded projects. The state can also use Best Value Contracting (BVC) to choose contractors. Also known as “negotiated contracting” and “competitive seal proposal contracting,” BVC is used increasingly in the public sector to ensure contracts are awarded not simply to the lowest bidding contractor, but to the contractor offering the best combination of price and qualifications. A qualified bidder employs skilled workers and has a history of completing projects in a safe, timely and cost-effective manner.

WRTP, as referenced earlier in this report, works with organized labor to ensure that graduates acquire the job habits and skills for family supporting jobs.

Specific Outreach to Low Income Communities:

The last link in this chain is targeted outreach to low income populations and programmatic support to ensure that individuals that might not be in a position to succeed in a traditional vocational program. This may be a component of an existing job training program, or it may be a complementary program that connects its graduates with “the

next step on the pathway;” i.e., a traditional vocational program. Either way, the program must combine job readiness training, education in job-specific skills, and career counseling. There are several examples of such “green jobs corps” around the country:

- **Solar Richmond:** This trailblazing program combines renewable energy installation and job training for low income residents and homeowners. The work is a collaboration between GRID Alternatives (a program that installs solar systems for low income homeowners and provides solar training), the Ella Baker Center and the City of Richmond’s low income residential assistance and construction training program. Over nine weeks, trainees learn how to install solar panels and practice by completing installations on the roofs of low income households, who receive the systems free of charge.
- **Sustainable South Bronx/ Environmental Stewardship Training Program:** This ten week training program, based around the Bronx River, covers life skills and job readiness training in addition to a full course in hands-on riverine and estuarine restoration. Trainees learn the science and art of salt marsh restoration, stream bed stabilization, and associated skills. By the end of the program they are certified in First Aid and CPR, Hazardous Materials Handling, OSHA, Pesticide Application, Tree Climbing and Pruning.
- **DC Greenworks:** The D.C. Greenworks Green Collar Job Training apprenticeships provide on-the-job training in horticulture and green roof installation. The program targets individuals from under-served urban populations, often with little formal education, teaching them marketable skills in an interactive, hands-on environment. D.C. Greenworks partners with local employment and social service organizations to provide training in job readiness skills in addition to the horticultural skills taught. The program works with employers, social service and youth advocacy agencies to find placements for graduates who are employed in landscaping, park maintenance, and nursery work.
- **Oakland Green Jobs Corps:** Initiated by the Oakland Apollo Alliance, this project has attracted support from the Alameda County Central Labor Council, Youth Uprising, the Sierra Club, the Ella Baker Center for Human Rights, and the City of Oakland in the form of \$250,000 of seed funding for attracting matching grants. Once implemented, the program will recruit and train low income workers for participation in the new energy economy, setting them on “green pathways out of poverty.” Young adults with low skills and education, criminal histories and/or language and cultural barriers will be the key beneficiaries of this innovative project.

Programs like these should certainly be considered for the Milwaukee region, and potentially Madison, Green Bay, Appleton, Oshkosh, Eau Claire, etc. – if not statewide.

Conclusion:

As can be seen by many of the recommendations suggested in this report, further examination and consideration is asked. The issues related to protecting low income households in a new energy environment and nurturing their opportunities for economic

self-sufficiency are so complex and the various alternatives so varied that much more study and thought needs to go into this subject to make the wisest choices. The low income workgroup strongly urges that a more exhaustive workgroup/process be developed and maintained to more fully explore the various options, existing programs and opportunities related to low income issues and the recommendations of the Governor's Task Force on Global Warming. Consideration should be given to any of the following four options: (1) assign this work to the Division of Energy Services, (2) extend the life of the low income workgroup, (3) assign this task to the State Low Income Energy Advisory Committee, or (4) set up a separate workgroup. The charge for this work should be to provide the Governor more detailed recommendations on actions and funding options within six to nine months. It is critical that this work continue. We wish to express our deep thanks to the Task Force on Global Warming for identifying the urgency of addressing low income needs in its recommendations and for convening the low income workgroup to examine these issues. We cannot lose this opportunity to address the needs of low income households by stopping before the work is done.

In sum, this very dedicated workgroup knew that in three meetings we could not eliminate poverty in Wisconsin nor the impact of increased energy costs in the vital effort to reduce the impacts of global warming. But the effort was to at least raise the awareness of the problems, suggest some areas of change in rate making, and look optimistically toward a Wisconsin economy that can be green environmentally and economically. Perhaps the efforts of the Task Force on Global Warming will lead the way to a *greener* Wisconsin in all senses of the word.