

## Weatherization—A Test Case

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*“We’re creating jobs immediately by ... weatherizing 2 million American’s homes, as was called for in the package. So that right there creates economic stimulus.... In the case of homeowners, they will see more money in their pockets, and we’re reducing our dependence on foreign oil in the Middle East.*

*Why wouldn’t we want to make that kind of investment?”*

President Barack Obama, Press Conference, February 9, 2009

*“... if you look at the over \$500 billion worth of spending ... —and \$6 billion to community action programs to do weatherization programs. It’s just more of the same kind of wasteful spending that we have seen in the past. I was really—I was shocked.”*

House Minority Leader John Boehner, PBS NewsHour, January 15, 2009

### Summary

The Department of Energy’s Weatherization program, a 30-year-old program that improves the energy efficiency of the homes of low-income families, is receiving more than a 20-fold increase in funding in the economic stimulus plan. Can this money be spent effectively or is this throwing money at a feel-good program?

The initial answer depends on an accelerated delivery of the expanded program—training the energy retrofit technicians, marketing the program to an enlarged number of recipients, and streamlining its federal–state–local administration. In parallel, the program must expand the participation of its current public and private partners, particularly in southern states. The long-term success depends on constructing links with a broader movement for building energy efficiency, on playing a key role in revitalizing local communities, and on dramatizing the connection between building energy efficiency and climate change. In the end, success will depend on how success is defined—how we balance the urgent need to infuse spending and create jobs with our sustainable future energy, societal, and environmental goals.

President Barack Obama and House Minority Leader John Boehner singled out Weatherization in their opposing views of the economic stimulus plan that the president signed into law on February 17. Though the broad nature of the stimulus plan is daunting, a focused look at Weatherization can help reveal the challenges and opportunities bundled together in this record spending legislation.

## Overview

The U.S. Department of Energy's Weatherization program is an obscure, 30-year-old program that installs energy-saving measures in the homes of modest-income families, reaching about 100,000 households in recent years and leveraging funds for an additional 40,000 energy retrofits. Weatherization received \$227 million in DOE funds last year. Like other selected programs it is receiving financial steroids in the stimulus plan; in this case, providing \$5 billion in new funding.

Will it be possible to ramp up funding for Weatherization and use the funds effectively, or will this just be throwing taxpayer money at a problem, with much of it being wasted?

The answer will depend on the ability to successfully complete three tasks:

- 1. Accelerate the administration of the program**, including bringing together a federal, state, local, and private sector implementation structure with transparent monitoring and verification of the results.
- 2. Secure the support and participation of stakeholders** with an interest in the success of the program, not only because their support is essential, particularly in the southern states, but also to build confidence in the direction of the stimulus package.
- 3. Translate the federal stimulus investment into a self-sustaining, ongoing activity** that relies on other funding sources and is recognized as vital in meeting long-term national goals.

## Weatherization Assistance Program

Weatherization is a logical program for addressing the mix of U.S. objectives sought in the stimulus legislation. Initiated in the wake of the 1973–1974 OPEC oil embargo, the Department of Energy (DOE) program:

- Helps homeowners. For the families helped, the results are immediate—averaging a 31 percent reduction in heating bills and an overall annual reduction of \$358 in energy bills, depending on fuel prices. The savings help homeowners pay their mortgages, avoiding foreclosure, and help renters pay their rents, avoiding eviction.

- Reaches those who need it the most. The targeted households spend 14 percent of their income for energy, compared with 3.5 percent by other American households.
- Multiplies the benefits. The money saved by moderate-income families will be spent quickly in their neighborhoods. By contrast, economists estimate that 80 percent of their energy expenditures go elsewhere.
- Creates jobs. Weatherization is delivered through a federal, state<sup>1</sup>, and local network, including more than 900 local Weatherization agencies, providing jobs to crews of building retrofit technicians and others providing supporting services.
- Attracts co-funding. Weatherization encourages partnerships and investments by others. In a recent study, every dollar DOE invested in these projects attracted \$3.39 in additional federal, state, and private sector funding.

These timely features have generated rapid, successive increases in funding for Weatherization as part of the economic stimulus actions. After President Bush proposed zeroing out DOE's Weatherization program, Congress advanced chunk after chunk of funding for the program. Understanding the potential of this largesse requires a closer look at the three tasks mentioned above:

## **Task 1: Accelerate the Delivery of Weatherization**

To benefit the economy as quickly as possible—thus fulfilling the goal of the stimulus plan—the delivery process must be accelerated. The most important actions are to: 1) Expand the human resources and training at the local Weatherization centers; 2) Market aggressively the availability of Weatherization to potential recipients; and 3) Streamline the development and approval of Weatherization state plans. As with other programs, while these steps appear straightforward, the details get devilish.

### **Expand the human resources and training at the local Weatherization centers**

The greatest challenge to the rapid expansion of Weatherization is supplying the human resources necessary for its success. The 900 local agencies deliver the program with a workforce of trained energy auditors, installers, and inspectors. Over three decades, Weatherization has developed and refined a high performance record, enabling it to survive and leverage the DOE funding. For the story of Weatherization under six Presidents, see Box A.

First, an energy auditor visits the residence, uses a blower door to measure building tightness, identifies any health and safety problems, prioritizes the energy-saving measures, and interviews the client on the home's use, problems, and comfort. The auditor's report is passed to the installers.

Second, installers make an appointment and visit the residence. They review the job plans with the owner or tenant, confirm the information in the audit, complete the energy saving and health/safety measures, confirm the results, and pass the record on to an inspector.

Third, an inspector visits the dwelling, verifies the work of the installers, re-tests appliances, and sees that any problems are corrected. The inspector also interviews the clients, asks if they are satisfied, explains the improvements, and educates them about the energy saving steps they can take. The stimulus act will expand this training requirement.

Weatherization sets a limit on the average amount that can be spent per home. For 2009, this figure is \$3,055. The economic stimulus act raises this to \$6,500, increasing the scope of the energy audit and the measure that can be included in the retrofit package.

With new housing construction in free fall, there's no shortage of unemployed labor in the construction industry. However, someone trained to build houses is not necessarily trained to make them energy efficient. It's not a simple matter of going house to house and replacing old windows with energy-efficient windows. The training of energy auditors, installers, and inspectors is not a huge or time-consuming task, but it is absolutely critical to preserve the quality and cost-effectiveness of the Weatherization program.

The training will be needed at state and local levels, in urban and rural urban areas across the country. Ten existing Weatherization training centers can provide a core expertise on which to build. Technical schools and community colleges are also an important resource. Building this technical capability is the highest immediate priority. Recognizing the immediate need to train a larger workforce, the stimulus plan raises the share of the appropriation that can be used for training to technical assistance from 10 percent to up to 20 percent. Considering the size of the stimulus funding, this percentage increase may not be needed.

### **Market Weatherization aggressively to its potential recipients**

The numbers tell the story. DOE estimated that 28 million households met the past income requirement, which was 150 percent or less of the poverty guidelines set by the Department of Health and Human Services. The stimulus act increases the number qualified to 200 percent of the poverty guidelines, significantly raising the number of qualified households. (For the income limits see Box B.)

Not all the households that meet the income requirement live in housing that meet other Weatherization requirements. Low-income housing often is unqualified because it needs major renovations beyond the scope of the energy-saving measures. Many low-income households rent from landlords who do not agree to the program requirement that rents remain at their current levels after the Weatherization improvements.

Still, the number of potential participants is huge when compared with the 6.2 million homes that have been Weatherized in the last 30 years. Since the qualified households greatly exceed the available funds, states and local centers have made little effort to publicize the program. Even so, many waiting lists run for three years or longer.

States and local agencies will need to launch a major outreach effort to attract all those who will be eligible for the expanded program. This will be especially important to reach those who now qualify up to the 200 percent of the poverty level. An effective outreach needs to include other stakeholders, including those who can be reached through neighborhood organizations, churches, and local businesses. Besides being a practical necessity, the outreach will send the message that the stimulus package is expanding assistance to those who need it most.

### **Streamline the processing of Weatherization state plans**

In normal times, streamlining is a simple, good government process. After the Weatherization appropriation is approved each year, DOE issues a Program Notice to guide the states in preparing their Weatherization plans; states prepare plans, hold hearings on them, make changes as necessary; and submit their plans to DOE, who reviews and approves the plans and sends the states their Weatherization allocations.

But this is not a normal year. Congress has yet to approve a regular Weatherization appropriation for FY 2009. However, the September 30 supplemental appropriation provided \$250 million for Weatherization. The resulting DOE Program Notice gave states two options. In the absence of a regular FY 2009 appropriation, they could prepare amendments to last year's plans but would then need to submit another state plan for the regular appropriation. Or they could wait for the regular appropriation and include both amounts in their state plans. And now, the huge stimulus tranche eclipses past appropriations.

Although it is an administrative headache, updating state plans should not be complicated. After 30 years, these plans are 95 percent or more "boilerplate" repetitions of the prior year's plans with changes to reflect new legislative or policy requirements. The major obstacles now are a dwindling DOE Weatherization staff as well as shrinking staffs in many financially stressed state offices.

This needs to be addressed immediately and effectively. The problem is not a shortage of funds; the Weatherization law allows the spending of up to 10 percent of the appropriation for the state and local centers' administrative expenses. With the huge funding increase, that's more than enough. DOE needs to scramble to take the lead. This will send the message that this Weatherization opportunity is urgent and real.

While new workers are hired and trained, the expanded program is marketed to thousands of qualified households, and DOE and the states clear the administrative speed bumps, the success of the stimulus will also depend on a parallel effort to attract support from the larger community that will benefit from an expanded Weatherization program, as described below.

## **Task 2: Secure the Support and Participation of Public and Private Stakeholders**

The benefits of an expanded Weatherization program will extend to DOE's funding partners and the companies that provide the insulation, energy-efficient furnaces and air conditioners, improved windows, blower doors, energy auditing and inspection tools, and other supporting products and services. The expansion plan will also need to give special attention to southern states that through a historic quirk will get a generous share of the expanded funds.

### **Capture the support of Weatherization allies**

DOE's funding partners—attracted by the quality of the program described above—now surpass DOE in the money invested in Weatherization. The major funding partners are the U.S. Department of Health and Human Services (DHHS) through its Low Income Home Energy Assistance Program (LIHEAP) and what's called "Other"—a growing number of utility companies, state programs, property owner contributors, and rehabilitation grants.

DOE funding represented only 30.8 percent of the total of \$662.5 million available for Weatherization in the 2007 program year, according to a survey of the state programs by the National Association for State Community Service Programs (NASCS).<sup>2</sup> LIHEAP provided 38.6 percent of the funding; the "Other" funds, 30.2 percent.

LIHEAP is a block grant program that passes funds to states to be help pay the energy bills of low-income households—bills that may reach 30 percent or more of their income. States may choose to use up to 15 percent of their block grants to fund Weatherization, which makes sense since the retrofits lower the future payments to these recipients. Historically, states have spent about 10 percent of their LIHEAP funds on Weatherization, with the percentage varying widely among the states.

The September 30 supplemental appropriation bill that funded Weatherization also provided the highest level of funding for LIHEAP in the program's history. The FY 2009 LIHEAP funding is \$5.1 billion, almost double last year's funding of \$2.6 billion. The increase was approved at a time when energy costs were soaring—particularly the cost of home heating oil in the northeast. If 10 percent of this near doubling of LIHEAP funds is spent on Weatherization, this will infuse still additional funding into the retrofit program.























































