

**WEATHERIZATION, REHAB AND
ASSET PRESERVATION PARTNERSHIP**



ISSUE BRIEF

**STATE PUBLIC BENEFIT FUNDS
EXPANDING SUPPORT FOR
LOW-INCOME WEATHERIZATION AND REHAB**

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The Weatherization, Rehab and Asset Preservation (WRAP) Partnership was established in 2002 with support from the Ford Foundation to help make home ownership more affordable for low-income households. WRAP seeks to combine energy efficiency and housing renovation programs to create innovative delivery systems that address such requirements of stable homeownership as deferred maintenance, rehabilitation, weatherization and social services.

The Partnership is managed by the Energy Programs Consortium (EPC). EPC is a joint venture of the three national state energy organizations: the National Energy Assistance Directors' Association, representing the state Low-Income Home Energy Assistance Program directors; the National Association for State Community Services Programs, representing the state Weatherization Assistance Program directors; and the National Association of State Energy Officials, representing the state energy program directors.

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STATE PUBLIC BENEFIT FUNDS EXPANDING SUPPORT FOR LOW-INCOME WEATHERIZATION AND REHAB

Summary

Government and private programs have successfully expanded low-income homeownership in several ways. These include innovative mortgage products to make affordable purchase possible, rehabilitation funding to make decent homes affordable, and, nearly invisibly, weatherization installations that improve homes while decreasing their energy costs.

The Weatherization, Rehab and Asset Preservation Partnership (WRAP) has proven that with proper guidance, cooperative efforts between energy and housing programs can be highly successful. Since its establishment in 2002, WRAP pilot programs have helped low-income homeowners increase the value of their dwellings by linking public benefit funds administered by state agencies and utilities, weatherization funds administered by the U.S. Department of Energy (DOE), renovation and lead-abatement programs administered by the U.S. Department of Housing and Urban Development (HUD), and social services provided by community action programs. Benefits gained from combining these resources far outweigh those that would have resulted from individual programs operating alone.

This issue brief describes how public benefit fund and weatherization programs can be integrated with housing rehab programs to help make low-income housing more affordable. Weatherization can improve the effectiveness of housing rehab programs, especially when provided to homeowners at the same time. Establishing such linkages, however, can prove challenging, primarily because the many of the federal, state and local agencies that manage funding for such initiatives lack an established history of collaboration. This has created such obstacles as eligibility criteria that vary among programs and spending timelines that differ.

For 25 years, weatherization programs have helped low-income families reduce their energy costs by improving the energy efficiency of their homes. In addition, 30 states and the District of Columbia offer additional weatherization services through public benefit- and utility-sponsored programs. Beginning in the mid-1990's, public benefit fund programs were established by some states as part of the electricity system restructuring plans. In addition, some states have also extended such support via their natural gas utilities as well.

The following discussion addresses the following questions:

- What are low-income weatherization programs?
- What are public benefit programs and how do they support low-income energy and rehab programs?
- What states have implemented public benefit funds?
- What are some examples of successfully integrated weatherization and rehab programs?

Low-Income Weatherization Programs

Low-income weatherization programs help reduce a family's home energy-cost burden by paying for conservation measures that increase a home's energy efficiency by installing materials to conserve energy and reduce heat waste. These measures include:

- Installing insulation in walls, floors, attics and interior and exterior of foundations
- Sealing doors, windows, and cracks with weatherstrip and caulk
- Servicing furnaces
- Making shell repairs to the house structure to improve the integrity of material insulation, including roof and chimney repairs
- Replacing refrigerators, furnaces, windows and lighting
- Addressing health- and safety-related issues by such measures as installing carbon monoxide and smoke detectors, and replacing defective doors.

Measure installation is determined by the findings of an energy audit.

These initiatives can, on average, reduce a home's total energy consumption by about 20 percent, resulting in average annual savings of about \$300. They can also help improve a family's finances by reducing the need to make emergency energy system repairs. Since low-income families are more likely to fall behind on payments of their utility bills than are higher earners,¹ an additional benefit of lower energy bills is increased ability to keep up with utility bills.

Weatherization Funding

Federal: The chief source of funding for weatherization is the U.S. Department of Energy's Weatherization Assistance Program (WAP). WAP was created as a pilot project in 1975 and institutionalized as a state grant program within DOE in 1979. The program currently serves all 50 states and the District of Columbia. WAP funding is derived primarily from annual federal appropriations, supplemental funding through the U.S. Department of Health and Human Service's Low-Income Home Energy Assistance Program (LIHEAP, also known as fuel assistance), and, as described below, utility companies.

DOE distributes WAP funds to the states through a national formula. The formula is based on each state's relative share of the low-income population, degree day information, and other demographics. In federal fiscal year (FY) 2004, \$227.2 million was appropriated for WAP.

LIHEAP program funds are also distributed by formula to all 50 states and the District of Columbia. States are allowed to transfer up to 15 percent of their LIHEAP formula allocation to support low-income weatherization (and up to 25 percent with approval of the U.S. Department of Health and Human Services). In FY 2004, states transferred approximately \$213 million to weatherization, bringing the total federal contribution for this effort to \$440.2 million.

State: Thirty states and the District of Columbia provide public benefit and utility sources of funds to support weatherization. Of this total, 13 states and the District of Columbia provided only public benefit funds, 14 states provided only utility funds and four states provided both sources of funds. In FY 2004, these funding sources

provided \$330.2 million, bringing the total amount of funding available for weatherization, including federal funds, to about \$770.4 million.

- Table 1 shows the distribution of federal weatherization funds by state.
- Table 2 shows the distribution of public benefit and utility funds by state.

History of State Public Benefit Funds

Since the mid-1990's, 23 states and the District of Columbia have taken legislative or regulatory actions to open their electric markets to varying degrees of market competition. Seventeenⁱⁱ of these states and D.C. have included public benefit funds as part of their restructuring plans. (Note: California and Texas initially provided supplemental funding for weatherization as part of their funds, but they no longer do so.) In addition, two statesⁱⁱⁱ have approved public benefit funds without restructuring their electric systems. These funds usually expand existing utility-funded programs that support fuel assistance and weatherization for low-income households.

Public benefit funds add flexibility to WAP because their expenditures and service options are not governed by DOE regulations. The funds are generally used to broaden the services available to low-income families by facilitating the adoption of baseload measures -- such as replacing old refrigerators and air conditioners with newer, more efficient models -- when there are insufficient DOE funds to cover such costs. Public benefit funds can also help expand the number of homes that are eligible to receive such services.

Public benefit programs are also used to help support affordable housing. For

example, some states provide subsidies and loans to pay the difference between construction that meets local code requirements and the more costly measures that meet Energy Star efficiency requirements.^{iv}

Sources of Public Benefit Funds

States usually levy public benefit fund charges on the regulated distribution of electricity, and in few instances, the distribution of natural gas. Depending on the state, the fund is administered by utilities, a state agency, or a private contractor. Programs are modified periodically with state oversight to meet the program's energy efficiency goals in consultation with the public.

Public benefit fund charges are generally expressed in terms of mills-per-kilowatt hour distributed. One mill is equal to 1/10 (\$0.001) cent. Thus, for every one-billion kilowatt hours generated, a one-mill charge would raise \$1 million (1,000,000,000 kilowatt hours times \$0.001).

The scope of public benefit charges and the level of funding vary considerably by state. States with higher relative charges tend to have more comprehensive programs, while those with lower charges tend to have more modest efforts.

How Are Public Benefit Funds Administered?

States have chosen three basic types of administrators for their public benefit funds:

- An independent state entity or energy, weatherization or energy assistance office, often with an advisory board, under the oversight of the state public utilities commission

Table 1. FY 2004 Federal Weatherization Appropriations (in '000 \$)

State	LIHEAP	Transfer %	LIHEAP Transfer	Weatherization	Total Available
Alabama	\$15,472	5%	\$774	\$2,408	\$3,181
Alaska	10,517	10%	1,052	1,680	2,732
Arizona	7,483	15%	1,122	1,359	2,481
Arkansas	11,805	15%	1,771	2,071	3,841
California	82,999	15%	12,450	6,295	18,745
Colorado	28,939	15%	4,341	5,480	9,821
Connecticut	40,202	0%	0	2,507	2,507
Delaware	5,336	10%	534	575	1,108
Dist. Of Col.	6,243	15%	936	649	1,586
Florida	24,480	15%	3,672	1,957	5,629
Georgia	19,355	15%	2,903	2,928	5,831
Hawaii	1,949	0%	0	204	204
Idaho	11,288	15%	1,693	1,974	3,667
Illinois	104,491	16%	16,719	13,850	30,568
Indiana	47,311	15%	7,097	6,551	13,648
Iowa	33,530	15%	5,029	4,989	10,019
Kansas	15,398	15%	2,310	2,531	4,840
Kentucky	24,620	15%	3,693	4,520	8,213
Louisiana	15,817	15%	2,373	1,731	4,104
Maine	26,045	15%	3,907	3,068	6,975
Maryland	30,783	0%	0	2,653	2,653
Massachusetts	80,418	9%	6,836	6,549	13,384
Michigan	105,645	0%	0	15,190	15,190
Minnesota	71,472	5%	3,288	9,855	13,143
Mississippi	13,264	10%	1,326	1,649	2,975
Missouri	41,738	0%	0	6,004	6,004
Montana	13,240	15%	1,986	2,519	4,505
Nebraska	16,581	11%	1,824	2,494	4,318
Nevada	3,514	0%	0	835	835
New Hampshire	15,222	10%	1,522	1,509	3,031
New Jersey	74,655	9%	6,719	5,103	11,822
New Mexico	9,368	0%	0	1,910	1,910
New York	243,763	15%	36,564	20,171	56,735
North Carolina	34,114	0%	0	4,159	4,159
North Dakota	15,317	15%	2,298	2,497	4,795
Ohio	98,439	15%	14,766	13,741	28,507
Oklahoma	14,221	9%	1,280	2,592	3,871
Oregon	22,429	10%	2,243	2,821	5,064
Pennsylvania	130,936	15%	19,640	14,707	34,348
Rhode Island	13,237	15%	1,986	1,156	3,142
South Carolina	12,287	15%	1,843	1,776	3,619
South Dakota	11,682	15%	1,752	1,917	3,669
Tennessee	24,939	10%	2,494	4,182	6,676
Texas	40,728	15%	6,109	5,576	11,685
Utah	14,321	10%	1,432	2,077	3,509
Vermont	11,409	0%	0	1,278	1,278
Virginia	37,497	15%	5,625	4,017	9,641
Washington	36,893	15%	5,534	4,540	10,074
West Virginia	17,351	15%	2,603	3,212	5,815
Wisconsin	64,335	15%	9,650	8,569	18,219
Wyoming	5,385	25%	1,346	1,175	2,521
Other 1/	30,324	n/a	n/a	3,408	3,408
Total	\$1,888,790	11.3%	\$213,040	\$227,166	\$440,206

1/ Includes payments to Territories, training and technical assistance funds and other payments.

Source: U.S. Department of Health and Human Services and the U.S. Department of Energy.

Table 2. Public Benefit and Utility Funds (in '000 \$)

State	Public Benefit	Utility Funds	Total
Alabama	\$0.0	\$0.0	\$0.0
Alaska	0.0	0.0	0.0
Arizona	0.0	987.3	987.3
Arkansas	0.0	0.0	0.0
California	0.0	120,000.0	120,000.0
Colorado	0.0	1,726.2	1,726.2
Connecticut	6,000.0	0.0	6,000.0
Delaware	0.0	0.0	0.0
Dist. of Col.	1,200.0	0.0	1,200.0
Florida	0.0	0.0	0.0
Georgia	0.0	800.0	800.0
Hawaii	0.0	0.0	0.0
Idaho	0.0	400.0	400.0
Illinois	7,600.0	0.0	7,600.0
Indiana	0.0	663.9	663.9
Iowa	0.0	2,546.8	2,546.8
Kansas	0.0	0.0	0.0
Kentucky	0.0	185.2	185.2
Louisiana	0.0	0.0	0.0
Maine	1,200.0	0.0	1,200.0
Maryland	3,500.0	0.0	3,500.0
Massachusetts	17,000.0	0.0	15,283.3
Michigan	9,797.7	0.0	9,797.7
Minnesota	0.0	3,739.0	3,739.0
Mississippi	0.0	0.0	0.0
Missouri	0.0	2,000.0	2,000.0
Montana	1,184.4	0.0	1,184.4
Nebraska	0.0	0.0	0.0
Nevada	3,577.2	463.1	4,040.3
New Hampshire	1,134.2	0.0	1,134.2
New Jersey	13,130.9	0.0	13,130.9
New Mexico	0.0	0.0	0.0
New York	23,000.0	0.0	23,000.0
North Carolina	0.0	0.0	0.0
North Dakota	0.0	0.0	0.0
Ohio	15,000.0	7,334.5	22,334.5
Oklahoma	0.0	0.0	0.0
Oregon	7,800.0	0.0	7,800.0
Pennsylvania	32,200.0	0.0	32,200.0
Rhode Island	4,200.0	2,355.0	6,555.0
South Carolina	0.0	0.0	0.0
South Dakota	0.0	0.0	0.0
Tennessee	0.0	0.0	0.0
Texas	0.0	2,020.8	2,020.8
Utah	0.0	300.0	300.0
Vermont	2,353.3	53.8	2,407.2
Virginia	0.0	0.0	0.0
Washington	0.0	0.0	0.0
West Virginia	0.0	6,435.7	6,435.7
Wisconsin	26,992.5	1,339.4	28,331.9
Wyoming	0.0	0.0	0.0
Total	\$176,870.0	\$153,350.8	\$330,220.8

Sources: State agencies and the LIHEAP Clearinghouse.

- A non-profit corporation under the oversight of the state public utilities commission
- The distribution utilities under the oversight of the state public utilities commission.

As indicated earlier, public benefit funds designated for low-income households are generally combined with federal funds to develop more comprehensive energy affordability programs. In most instances, the programs rely on the existing network of providers of low-income energy services to manage the distribution of funds. There is currently a national network of 710 community action agencies and 260 other non-profits and local government agencies.

Can Weatherization Work with HUD Rehab Programs?

The simple answer is that yes, HUD and weatherization programs can be used as companion services on the same property. However, the programs have often not worked well together in the past. This is primarily because they provide grant funds to agencies that do not have a history of collaboration. In addition, weatherization and HUD programs tend to use different eligibility criteria and to have different spending timelines.

The programs can and do operate together successfully when the agencies receiving the funds are the same, or are in areas where there is a history of partnership – or a willingness to collaborate. This usually occurs in local agencies where housing programs are part of the array of services routinely provided to the community. Under such circumstances, agency staff are able to blend all available resources to address the needs of the homes being rehabilitated,

including using weatherization funds to install insulation and air sealing and to service furnaces.

One of WRAP's goals is to build on this cooperative experience by developing new approaches to linking weatherization and housing rehab programs in order to increase the integration of these resources to help low-income families. The rationale is simple: it is far more efficient to address a family's weatherization and rehab needs at the same time, rather than as separate components.

Where weatherization and HUD programs work together, the obstacles to achieving this efficiency can be removed. For example, WRAP weatherization grantees have obtained waivers of eligibility criteria that conflicted with HUD eligibility criteria, thus making the two criteria uniform.

Weatherization specialists do not think of their programs as rehab activities. Rather, they view them as an important step toward increasing the affordability of home energy. Nevertheless, weatherization can make a valuable contribution to rehab and lead-abatement programs. For example, if an agency is working to help improve a low-income family's home, weatherization funds can be used to replace the furnace and refrigerator, thereby reducing the need to use Home Investment Partnerships (HOME), Community Development Block Grants (CDBG) or loan funds.

One challenge to such an approach, however, is that HOME and CDBG programs are often administered by different state and local agencies than are weatherization programs. One result of this difference is that HOME and CDBG programs are typically directed to community development corporations, while

weatherization programs are usually directed towards community action agencies. In addition, both types of programs generally work on different time frames and sometimes have different eligibility requirements.

Agencies can overcome these hurdles by working together. Here are examples of how weatherization and HUD programs are working together as part of the WRAP initiative:

- While state-designated weatherization providers are usually different from housing rehabilitation providers, the two can develop a partnership. For example, in a WRAP pilot, Action for Boston Community Development (ABCD), the community action agency for Boston and state-designated weatherization provider for Boston and Action Agency in Gloucester, the state-designated weatherization provider for Gloucester, formed a partnership with the Massachusetts Affordability Housing Alliance (MAHA) to provide weatherization as part of MAHA's neighborhood rehab efforts. In addition, the state's public service commission agreed to raise the eligibility ceiling for the utility public benefit fund in the ABCD/MAHA and Action Agency pilots to 80 percent of the area-wide median income for the area in order to match the HUD program eligibility requirements.
- A single mother participating in the WRAP pilot on Long Island, New York, purchased a handyman special that was in foreclosure. When she began to do her own home improvement, she felt overwhelmed and unsure of how she would make all of the needed repairs. She applied to the WRAP program for

help, and was able to participate in the pilot's home maintenance training class. The pilot put together a rehab package that included \$12,400 in HOME assistance and \$2,205 in utility weatherization assistance. The utility funds were used to:

- Insulate attic and exterior walls
- Wrap approximately 70 feet of heating pipe and a water heater
- Weather strip five doors
- Seal heat leaks in the kitchen, basement and bathroom bypasses
- Install two CO detectors and three smoke detectors.

In addition, HOME funds were used to:

- Replace the front stoop and add iron railings to conform with building code requirements
 - Secure and straighten two front porch support columns
 - Install a new 150 amp electric service, including a new panel box and breakers,
 - Rewire to provide switches for overhead lights in the dining room, kitchen and two bedrooms
 - Repair leaks on the waste line
 - Install a new bedroom ceiling.
- A WRAP case manager, working for the Gloucester, Massachusetts WRAP pilot, structured a plan for a 56 year-old widow caring for her elderly mother to weatherize their home to reduce energy bills, replace a dangerous failed heating system and rehab the home's basement space to provide a rentable unit to accommodate an adult in a foster-care program in order to supplement their income. The total cost of rehab and weatherization was \$16,850, with \$10,000 provided through a no-interest

loan funded by the local Community Development Block Grant (CDBG). Grant funds were provided through federal, state and utility weatherization and energy assistance funds.

Innovative Programs: Some state public benefit programs are exploring ways to support energy efficient affordable housing, including new construction that goes beyond the standard weatherization programs.

Examples include:

- The District of Columbia is developing a program that will provide grants to affordable housing developers to include high energy efficiency components as part of their projects.
- New Jersey's Clean Energy Program provides rebates and cash assistance towards the cost of new construction that meets specified high energy efficiency building requirements.
- New York State Energy Research and Development Authority (NYSERDA) is testing a weatherization program that provide a combination of grant and loan assistance for families with incomes that are above the 60 percent of state median income ceiling for weatherization assistance. The program targets families between 60 and 80 percent of the state's median income.
- Massachusetts is developing a program that would subsidize the installation of renewable energy efficiency measures for low-income families. These programs generally do not work for low-income families because of their high installation cost and the fact that most state programs require participants to share at least a portion of the installation costs.

Program details are generally developed by the state's public benefit program staff in consultation with local community groups and others interested in the program's outcome. Local community development corporations can propose projects that include energy efficient housing construction, as in the program currently being developed the District of Columbia.

Weatherization Plus: In recent years, the DOE Weatherization Assistance Program has emphasized the importance of forging partnerships with other federal, state, community, and private entities in an effort to provide greater energy cost savings to low-income households while improving the economic and environmental health of their communities.

Referred to as Weatherization Plus, this focus incorporates a "whole-house" approach. It includes consideration of advanced technologies, comprehensively addresses the energy usage in low-income homes, and addresses energy-related health and safety improvements. In addition, the program's "whole-community" approach enables weatherization providers to serve as a resource for community-based efforts to conserve energy, boost economic activity, and improve the environment.

What Are Weatherization Program Eligibility Requirements?

Each state generally uses a uniform income eligibility criterion for all of its low-income federal and public benefit energy programs. Federal regulations permit each state to set its own eligibility income criterion, provided it is no higher than 60 percent of the state's median income.

The federal eligibility ceiling for WAP is the greater of 125 percent of the federal poverty

level or 60 percent of the state median income. States may also use the LIHEAP eligibility ceiling, which is 150 percent of the federal poverty level or 60 percent of the state median income. A typical state limit is 150 percent of the federal poverty level. In federal fiscal year 2004 (FY 2004), 150 percent of the federal poverty level for a family of four is \$27,600.

In addition to homeowners, renters are eligible to receive weatherization assistance. However, their landlords must sign a contract granting permission to the agency for the services. Landlords often must also agree to participate in the cost of the program and to limit rent increases based on the improvements provided.

What is the Maximum Level of Program Assistance Available?

There is no uniform federal ceiling on how much a state can provide to weatherize a home; the amount is determined by the level of available resources and the number of cost-effective measures that can be installed in a dwelling. States that have resources from the LIHEAP transfer and public benefit funds have considerably more flexibility than those with only weatherization funds available. In addition, some states impose a ceiling on the maximum amount of funds or measures that can be installed in any one dwelling.

Federal funds provided by WAP are subject to an average spending limit of \$2,673 per household in FY 2004 within each State. This figure is adjusted each year based on the Consumer Price Index and inflation rates. As a result, an agency can spend in excess of \$4,000 on one home and only \$1,500 on another - as long as it meets the

average cost per unit at the end of the year. The average only applies to the use of DOE weatherization funds. It does not apply to the use of LIHEAP transfer funds or state public benefit funds, which can be added to DOE funds to exceed the mandated average.

Local programs that have multiple sources of funds will often use their federal weatherization funds to pay for lower-cost measures, like insulation and roof repair, while using their LIHEAP transfer funds, utility and public benefit funds to pay for furnaces and other higher-cost items in order to stay within the average payment requirement.

How Do Weatherization Programs Vary By State?

One of the key factors determining the scope of a state's program is the availability of resources. States with public benefit, utility and transfer funds from LIHEAP have the most comprehensive programs. These states have the flexibility to offer a full range of weatherization services, and can develop partnerships with a wide range of non-profit providers to support making low-income housing more energy efficient. States that do not have these resources tend to have smaller efforts that focus on providing basic weatherization services.

Sometimes a state only allows public benefit funds to be used to support electric measures. Under such a scenario, the state can use its federal funds to pay for non-electric measures. Other states have fuel-blind programs – that is, they use the funds to support the most cost-effective measures, whether they support gas, electric or heating oil measures.

What Are Weatherization Training Requirements?

To ensure that weatherization services are provided effectively, the federal program mandates that every crew member or contractor be proficient in a core set of service-delivery disciplines:

- Air-infiltration reduction using blower door testing equipment
- Furnace-efficiency measurements using such devices as efficiency-testing equipment and draft gauges
- Insulation-blowing equipment for use in attics and dense packing of wall cavities
- Use of metering devices to determine load and use for appliances slated for replacement
- Hand skills to apply materials like caulk, weatherstrips, foam and insulation batts
- Use of auditing tools to determine the priority list of services to be provided in the home based on its pre-existing condition.

Conclusion

WRAP's pilot programs have shown how to devise a structure to successfully integrate weatherization and housing rehabilitation programs. The combination can yield enormous benefits for low-income families that far outweigh those obtained from individual programs acting alone.

Public benefit funds play a critical role in supporting collaborative ventures among federal, community and state agencies to help low-income families reduce energy costs and make their homes more affordable.

Related Sources

- Energy Programs Consortium -- www.energyprograms.org, for links to public benefit fund programs
- National Center for Appropriate Technology -- <http://neaap.ncat.org>, for information on utility and state programs
- Weatherization Assistance Program -- <http://www.waptac.org>, for links to state weatherization programs.

ⁱ Oppenheim, Jerrold and MacGregor, Theo (1/5/04). "Cost-Effectiveness of District of Columbia Low-Income Electric Efficiency Programs" (Attachment, Response to Order No. 12971, District of Columbia Energy Office.) Available at <http://www.democracyandregulation.com/detail.cfm?artid=62>.

ⁱⁱ They include Connecticut, Delaware, District of Columbia, Illinois, Maine, Maryland, Massachusetts, Montana, Nevada, New Hampshire, New Jersey, Ohio, Oregon, Pennsylvania and Rhode Island.

ⁱⁱⁱ Vermont and Wisconsin.

^{iv} A variety of state and federal energy-efficiency programs are available to the general public. They include rebates, differential payment for the cost of buying energy efficient appliances and for building Energy Star homes. These programs can also be incorporated into an overall low-income energy efficiency strategy.