

## LOW-INCOME WEATHERIZATION STIMULUS-FUNDED PROGRAM SHINES BUT STORM CLOUDS ARE ON THE HORIZON

### EXECUTIVE SUMMARY

On February 17, 2009, President Barack Obama signed into law the American Recovery and Reinvestment Act (ARRA),<sup>1</sup> commonly known as the Federal Stimulus or Recovery Act. The President and Congress were responding to a global financial crisis, the likes of which the United States had not experienced since the Great Depression of the 1930s. This report focuses on:

- The successes that the Commonwealth of Massachusetts (and other states) achieved under ARRA's provision "[t]hat \$5,000,000,000 [billion] shall be for the Weatherization Assistance Program,"<sup>2</sup> and
- The challenges that are ahead—especially the difficulty of maintaining an adequate and sustainable funding level for the program post-ARRA.

The ARRA appropriation raised two major challenges. First, ARRA imposed Davis-Bacon wage requirements<sup>3</sup> on WAP for the first time in the program's history—the requirement that all weatherization workers be paid a "prevailing wage" reflective of wages paid for comparable work in the local job market. Second, the significant increase in funding required states to find large numbers of additional energy auditors to evaluate each home's energy needs and skilled contractors to perform the energy efficiency work, while maintaining high quality.

In most states, the early challenges were overcome and initial program goals were not only met but exceeded. Nationally, 775,000 low-income homes were weatherized as the result of the federal stimulus, exceeding the U.S. Department of Energy's goal of 593,000 homes.<sup>4</sup> These improvements contribute to much more affordable energy bills for those low-income families as well as more comfortable and healthier living quarters.<sup>5</sup> In addition, over 14,000 "green" jobs were created, laying the foundation for a job sector that is projected to experience substantial growth over the next decade.<sup>6</sup>

The additional funding provided by ARRA also provided important takeaways as to how states can run a high-quality and cost effective program.

#### *LESSONS LEARNED from WAP-ARRA*

1. **Consistent federal funding for WAP is essential.** When funding soars up and then crashes down, it is extremely difficult to attract and retain adequate numbers of contractors who will deliver high-quality services to low-income clients.

2. **State weatherization offices must provide adequate training, support, and oversight to ensure high-quality programs.** At its core, WAP is a residential rehab program that requires solid energy assessments, adequate training for weatherization workers, skilled contractors, and qualified post-installation inspections. Each state must provide the training and support needed to carry out these functions well.
3. **Weatherization funds can help test the value of new technologies in a controlled environment.** Under ARRA, DOE set aside \$90 million for competitive grants to local weatherization agencies “to install renewable energy and energy efficiency technologies that normally could not be installed in the traditional WAP program due to higher costs or other limitations,<sup>7</sup> under a program called Sustainable Energy Resources for Consumers (SERC). In Massachusetts, this program yielded useful information regarding solar domestic hot water systems, aerogel superinsulation, and micro-combined heat-power systems. Investing in such pilot programs potentially expands the benefits that WAP can provide to low-income households, and the data derived from real-time use can drive further innovation.
4. **Weatherization is an all-around winner** Low-income households have an easier time paying their energy bills and live in healthier homes. The local economy receives a boost through the creation of jobs. Small businesses benefit while the national “green” economy grows more robust. Additionally, greenhouse gas emissions and pollution are reduced.

### *The Future of WAP*

Despite WAP-ARRA’s proven successes, the program is in imminent danger. On September 28, 2012, President Obama signed into law an FY 13 Continuing Resolution (CR), Pub. L. 112-175, which appropriated only \$68 million for WAP for FY 2013. *That is a 66% reduction from the pre-ARRA level and a 95% cut from the annual spending level under ARRA.* At the CR level, states would receive, on average, only \$1 million.<sup>8</sup> It is likely that some states would choose to decline the minimal federal funding offered, since they could not run a program that would deliver meaningful services to clients. Several states might choose to shut down their weatherization programs entirely.

The Weatherization Assistance Program has only reached approximately 20% of U.S. eligible low-income households. While ARRA’s \$5 billion in funding provided a much-welcome boost to the program, the roller-coaster ride from pre-ARRA funding levels of approximately \$225 million annually, to \$1.5 billion annually during ARRA, and back to a low funding level of \$68 million in FY 13 creates problems easily avoided through a more stable and adequate funding stream. Consistent and sustainable funding of WAP—at least \$300 million annually—will reduce energy costs for households with the least means but also help all households by fostering the market for high-quality weatherization materials and equipment, and skilled weatherization workers.