



WEATHERIZATION ASSISTANCE & THE AMERICAN JOBS AGENDA:
Changes in Statute and Regulation Are Needed to Keep Lower-Income Americans
Safe From Extreme Weather
January 2022

Summary

The National Community Action Foundation's (NCAF) members are the 1000+ Community Action Agencies (CAAs) that primarily administer the Weatherization Assistance Program (WAP). Today, this WAP local network delivers over \$1 Billion in funding every year, deploying a combination of federal, state and utility programs. The present WAP program solves a 20th century problem – wasteful usage of fossil fuels and electricity in homes – by making investments that safely reduce the use of those same fuels by about 20 percent, improve indoor air quality and provide some basic safety improvements.

We know that Weatherization Assistance and its workforce has the potential to do much more in response to 21st century weather challenges. Local Weatherizers are experts at construction management, home performance, and workforce training skills; they have trusted access to residents and building owners in low-income communities.

However, WAP must be updated both to respond to today's extreme weather threats to lower-income communities and individuals and to give lower-income communities access to the best technology. With the eight essential updates described in this paper, we are confident the \$3.5 billion authorized in the Infrastructure Investment and Jobs Act can and will be effectively invested to reflect the goals of the infrastructure and climate justice agenda.

Summary of essential updates:

Amend the Statute

1. Invest more per home (as provided in the original House BBB bill);
2. Repair homes (as provided in the FY2022 Appropriations Bill that has not been authorized);
3. Normalize the treatment of renewable energy measures;
4. Clarify the prohibition on re-weatherization.

Update the Regulations

The DOE has the authority to make the following changes.

5. Change the elements of the cost-benefit test to reflect ALL purposes of the statute, including the value of health and safety of the participants. This will allow the program to install deeper retrofits and cleaner fuels to make homes safe under the increasingly prevalent extreme weather conditions;
6. Simplify the program;
7. Support workforce development in WAP communities as a separate cost;
8. Prioritize homes with high housing and energy burden in disadvantaged communities.



The Recommended Changes in Detail:

We have divided this paper into two sections - regulatory changes and statutory changes. One of the two highest priority changes, the changes without which the program cannot make the homes of the families served sufficiently affordable nor safe enough for the coming energy and weather challenges, is entirely within the authority of DOE to implement - the formula for calculating the costs and benefits of program measures. The other – establishing a higher average cost ceiling to reflect today’s labor and material markets and new energy opportunities – requires legislation.

PART 1. Four Essential Regulatory Changes

The following policies can be changed by the Department of Energy under the authority granted in current statute. The January letter from a bipartisan group of members of the House and Senate to Energy Secretary Granholm supports these recommendations.

1. Replace The Savings-To-Investment Ratio (SIR) Formula with One Which Reflects the Full Costs and Benefits of WAP Measures

The “SIR” that determines the selection of investments in each home must be changed to be a climate appropriate whole-cost/whole-benefit formula. Significant value must be assigned to the work and the measures that can make homes safe, healthy and connected to their energy supply under the climate conditions that lie ahead.

42 USC section 6863 (a) and (b) direct the Secretary to establish standards for the package of investments and allow broad latitude. Section(b) lays out factors that MUST be considered and allows discretion to add others. DOE created the (SIR) used with energy audit results to be very narrow and based on historical data. For example, Climate is a required factor; so, in the SIR formula, future usage is calculated using past thirty years’ weather conditions.

The SIR relies on estimates of the residential fuel prices of the future fifteen years published by the DOE Energy Information Administration. Understandably, these have been significantly wrong in most past years. Estimates of the cost of the future energy mix - of renewable energy and of fossil fuels under different phase-out rule scenarios are even less likely to hit the mark if available.

Further, even though the statutory purpose of WAP is to reduce energy usage and ensure the health and safety of those living in homes weatherized, the calculation of positive outcome that determines what is done to a home only considers the projected long-term future dollar value of the avoided usage of the current fuels.

The authority to include health and safety values, laid out in section (b) (4), can be used to include these values in the new cost-benefit formula for the current climate.

However, the SIR assigns NO value to making homes healthier, safer or ready for the effects of extreme temperatures or storms. States may set aside some funds to address immediate health and safety problems, but the harm from increasingly severe weather, from more intense heat and from supply disruptions are not considered. Therefore, Weatherization teams are stymied from maximizing the climate resilience of the homes they serve and from efficient use of cleaner energy.



2. *Standardize and Simplify Program Processes*

- a. Define a standard minimum package of safety and efficiency measures appropriate to each climate and housing type to be installed in all eligible homes (without a requirement for custom energy modelling);
- b. Standardize similar new ‘packages’ of renewable energy measures, other greenhouse gas reduction investments and climate adaptation improvements;
- c. Simplify the federal review process for multi-family building projects, vehicle purchases and energy audit tools;
- d. Simplify the inspection requirements to allow random sampling;
- e. Allow grantees to waive certain DOE requirements when braiding WAP funds with other federal, state or utility funds if the entire package of combined funding will achieve the purposes of the updated WAP; and
- f. Continue to simplify the credentials and testing required for workers participating in WAP.

3. *Support Workforce Development on-the-job as an activity distinct from the program operations billed to home retrofits:*

- g. To incorporate on-the-job apprenticeships and training into daily program operations, the regulations must allow funding for supervisors to conduct on-site training and to oversee the work of new entrants in the field in addition to the labor costs charged to the projects and the formal tuition and testing costs charged to the Training budget;
- h. Recognize credentials other than Home Performance Professional through agreements with appropriate institutions including, but not limited to, union training; and
- i. The Department must allow training funds to be used for the certification and training time of employees of private contractors (with suitable requirements for worker retention post-training).

4. *Increase WAP’s ‘Energy Justice’ impact three ways:*

- j. Prioritize serving the ‘high-risk’ homes – the homes of people at greatest risk from extreme weather and changing energy markets. While the statute defines priority populations for WAP service (elderly, disabled, homes with young children), the Department has the authority to add a new priority – the homes least able to keep residents safe from extreme heat, cold and storms;
- k. Establish a goal of ensuring at least half the homes weatherized in this program are in the high-risk category; and
- l. Direct grantees to establish performance bonuses for contractors and subgrantees that meet goals for recruiting, training and retaining workers from disadvantaged groups.

PART 2: Four Statutory Changes

1. *Invest more on average per home*

The statutory state average cost per unit (ACPU) spending limit (sec.6865 (c) 1) must be raised from just over \$7,660 per home so as to reflect both real costs for labor and materials and the addition of climate-resilience elements, including electrification, renewable energy and structural improvements. Of all the statutory changes, this is the most important.



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- Today's prices for building materials, building labor and appliances mean fewer measures are being installed in homes.
- WAP workers are underpaid. Wages in the program this year are lower than the DOL 2019 wage surveys of the industry-wide Insulation Installer wages. Many who work in the program make so little they would be eligible for WAP if they didn't work in the program. Private sector wages will certainly rise in the near term when the federal programs just enacted increase the demand for these trades.
- Workers are unavailable to many WAP providers and their contractors, and retention is a serious problem. Wage growth without a higher ACPU means far fewer upgrades per home.
- The unrealistic current ceiling also undermines the program's energy justice purpose. Only part of WAP resources can be targeted to the most vulnerable people with the highest energy burden, who are typically those in the most dilapidated homes. After serving typical applicants in disadvantaged areas and upgrading their home's antiquated construction and equipment, WAP teams must seek out homes that need very few improvements so that the low cost of weatherizing those better-off units offsets the higher price of serving the most climate-vulnerable homes.

Recommendation

We recommend the substitution of \$12,000 for the current average cost ceiling, or ACPU, coupled with language giving DOE authority to increase the ceiling if future market conditions warrant.

Q: Why give DOE the authority to raise the ceiling?

A: The figure \$12,000, while arbitrary like its predecessors, would allow WAP to raise labor rates as required by the Infrastructure Act provisions and may cover the dramatically rising costs of the materials and appliances WAP uses without dramatic cuts in measures the program has normally installed. However, policy, technology and workforce conditions will certainly disrupt the markets and prices for efficiency services and products as the nation transforms the way buildings use energy;

The Department should have the authority to adapt the program to ensure the appropriate measures are available for use in the buildings that are home to the most disadvantaged Americans.

NCAF recommends the following language (new language is in red):

“6865 (c) Limitations on expenditures; exceptions; annual adjustments (1) Except as provided in paragraphs (3) and (4), the expenditure of financial assistance provided under this part for labor, weatherization materials, and related matters shall not exceed an average of \$12,000 per dwelling unit weatherized in that State, **provided further that the Secretary may increase such limit upon finding that market conditions require such action in order to achieve the purposes of this section.**”

Note: NCAF strikes out the “except” phrase in current law because it refers to the ceiling on renewable energy measures added to the statute in 2005. NCAF recommends eliminating these obsolete subsections. (See change #3.)

2. Fix the eligible homes



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The program should include a substantial “Weatherization Readiness” fund for funding major repairs to make homes structurally sound and safe enough for the installation of efficiency and renewable energy measures. This fund is not currently authorized, but the Biden FY2022 Budget request and both Energy and Water Appropriations Bills for FY2022 contain such funding.

Authorizing the Readiness Fund separate from the core program, the design contained in the FY2022 appropriations, protects it from future parliamentary challenge.

Recommendation

We recommend statutory language that parallels the FY2022 Energy and Water Appropriations “Weatherization Readiness Fund,” which distributes funds according to the WAP formula, and authorizes \$65 million per year. For example:

“Sec x WEATHERIZATION READINESS PROGRAM. The Secretary shall establish a Weatherization Readiness Fund to be distributed to grantees of the Weatherization Assistance Program in accordance with Sec. 6864 (a) for the purpose of modifying eligible dwellings with structural conditions that are incompatible with Weatherization investments in order to prepare them for the services delivered pursuant to (Sec 42 USC 6861 et seq).”

“For the purpose of carrying out the Weatherization Readiness program under this part, they are authorized to be appropriated \$65,000,000 for each of the fiscal years 2023 through 2027.”

Funding Justification

The next page displays the Department of Energy’s summary of research showing it costs \$57 million to make 15,000 homes ready for Weatherization. The figure represents repair costs in 43% of the potential annual completions in the regular program; that is the share of eligible homes that that the Federal Reserve of Philadelphia study cited by DOE determined will need repair.

This table was published in the DOE 2022 Budget Justification to Congress (at page 441), along with further data from the same research showing the full scope of repair needs in low-income people’s dwelling units. (*Note: The Administration actually requested less than half the amount it included in the justification for FY2022 to “test” the concept.*)

Homes Weatherized per Year	Homes Needing Repair	Estimated Homes Needing Repair	2019 WAP Households Served	# of homes	Average Cost of Repairs	WAP Funds Needed	
35,000	42.9%	15,015	Not Elderly Occupied	53%	7,958	\$2,920	\$23,237,214
			Elderly Occupied	47%	7,057	\$4,187	\$29,547,868
			TOTAL				

Energy Efficiency and Renewable Energy/
 Weatherization and Intergovernmental Programs

FY 2022 Congressional Budget Justification



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During the period of performance of the Infrastructure Bill, more than 220,000 homes may be weatherized. CAAs will be seeking out the most disadvantaged residents and neighborhoods. At least 42.9% percent of homes eligible are at risk of deferral because of their poor condition. Using the 2018 cost and percentages above, the cost of fixing all the dilapidated buildings that need it to be weatherized would be more than \$332 million over 5 years.

The following two amendments (recommended changes 3 and 4) would eliminate inconsistencies that are barriers to efficient operations and stumbling blocks on the steep path to bringing clean energy to disadvantaged people and communities.

3. Normalize renewable technology

Although the 2020 reauthorization added renewable energy to the recitation of program services in sec 6268 (9), it did not repeal section (added in 2005) 6864 (c) (4) referring to a \$3,000 limit on any “renewable energy system” nor the following sections (5) and (6) which require the Secretary to promulgate a formal separate regulation regarding such systems and to set thermal ratings standards.

Recommendation

NCAF strongly recommends removing both subsections, 6865 (c) 4 and (5) that treat renewable energy differently from other energy technologies used by the program.

- Renewable energy systems or connections to existing systems should now be evaluated as are all WAP investments: the technology is mature and well-studied enough for parameters to be entered in the (to-be-updated) cost-benefit evaluation performed for each home that is a candidate. The procedures that validate all other technologies selected for WAP installations should apply to renewable systems.
- For many reasons, it is very difficult to offer access to renewable energy to eligible, low-income homeowners, including landlords, in the CAAs’ communities. The current cost restrictions would keep the WAP program out of the renewable transformation “toolbox” used by state, utility and local programs. The constraints are an unreasonable barrier to getting the benefits of renewable energy into low-income communities.
- The current restrictions mean DOE funds cannot be used for activities that support installation of most renewable energy systems even if the equipment is funded by others. WAP community-based organizations already deliver more than \$300 million in utility efficiency program resources as well as a myriad of state and other energy initiatives in low-income communities. Those resources are likely to expand considerably as a result of federal legislation.
- The cost limits preclude most systems for multi-family buildings. Weatherizers in many states have experience installing solar systems in larger buildings and are hoping to greatly expand these efforts, as they are cost-effective and easier to manage than small rooftop installations.
- This authorization may last for another decade without further change, and the options for renewable technology and their probable costs are likely to change dramatically over the period. NCAF strongly recommends allowing the already-strict oversight of the WAP system to provide quality and cost control.

4. Clarify the application of the newly authorized "re-Weatherization" restriction

The 2021 reauthorization solved a major problem by amending the previous indefinite ban on revisiting a home weatherized since 1994. It changed the prohibition to a rolling 15-year ban. It retained the original



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opening language of Section 6865 (c) 2 that reads “Dwelling units weatherized (including dwelling units partially weatherized) under this part, or under other Federal programs (in this paragraph referred to as “previous weatherization”),”

The “partially weatherized” reference has now resulted in DOE legal staff now disqualifying any home which received even a single energy related measure which was paid for from a different federal program and delivered by any entity. (*Note: A WAP program unit is never “partially” weatherized. DOE WAP funds do not pay for any work on an incompletely weatherized unit.*) The regulation is forthcoming, but the states are already held accountable on this restriction and the stricter due diligence and record searching required before accepting a home into the program. No reason has been given for DOE changing practice after the same words have been in statute since the 1990s.

The two damaging potential effects are:

1. Excluding thousands of homes that are otherwise qualified for WAP services, but which have received LIHEAP-funded emergency energy measures – like replacement of dangerous stovetops or furnace repair. A multifamily assisted building in which HUD funds had purchased LED light fixtures could presumably not qualify for additional investment from DOE WAP. Even homes that received no more than a DIY “kit” of measures such as weatherstrip, caulk and LED light bulbs from the USDA Extension Service could be barred. We do not believe this was the Congressional intent.
2. Inadvertent non-compliance of local agencies due to the difficult and costly process of obtaining the history of partial building improvements. WAP agencies' records identify past fully weatherized homes, and most CAAs in many locales are also the agencies delivering and keeping files on LIHEAP-funded, crisis-driven safety measures. However, records identifying homes that received some “partial” measures funded by HUD, USDA or other agencies could be in any number of government or private filing systems and may be protected by privacy practices.

Recommendation

The “fix” we recommend is to strike the phrase in parenthesis “(including dwellings partially weatherized)” and, for emphasis, add the word “fully” in front of the word “weatherized.”

“Dwelling units **fully** weatherized (~~including dwelling units partially weatherized~~) under this part, or under other Federal programs (in this paragraph referred to as “previous weatherization”),”

An alternative is to strike the words “or under other federal programs” and add “under this part” in its place. We believe DOE may have advanced this solution. It is NCAF’s second choice simply because it might suggest that WAP would possibly serve a home that didn’t need retrofitting. The program’s procedures preclude such an accident. The Weatherization process starts with a deep inspection and an instrumented energy audit of the building. When the WAP team evaluates the house, past upgrades will be identified. In addition, the instrumented testing would find that further investment would not pass a cost effectiveness test.