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Statement of David Bradley, Executive Director
To The Senate Energy and Natural Resources Committee
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THE WEATHERIZATION ASSISTANCE PROGRAM AS AN ECONOMIC STIMULUS TOOL

Mr. Chairman, Ranking Member Domenici, thank you for scheduling this inquiry into how energy programs can meet the challenge of creating many new jobs quickly. The National Community Action Foundation represents the local Community Action Agencies that deliver over 80% of the Weatherization Assistance Program (W.A.P.) services. We were delighted when the Chairman mentioned the role this time-tested program can play during last week's interviews, and we thank you for the vote of confidence.

We support, and our membership can deliver, a $2 billion two-year "Weatherization Stimulus" initiative that can sustain more than 47 000 annual homebuilding industry jobs over two years while giving very low-income consumers $ 350-500 in annual savings to use for other necessities. (CBO estimates avoided costs like food and energy savings for low-income consumers produce $1.73 of GDP for each dollar of cost reduction.[i])

HOW IS A STIMULUS W.A.P. DIFFERENT FROM TODAY'S PROGRAM, THE "CORE" W.A.P.?

It can focus on:

- Direct employment and retention in agencies and private contractors
- Training thousands in specialized "green-collar" skills
- Total cost-effective energy savings per program
- Capital/equipment/durable goods purchases: e.g. vans, crew equipment, home heating systems, other major appliances

Instead of:

- Number of units weatherized
- Capped average cost-effective spending per-home, which means limited work, because of limits on average cost
- Minimal investment in furnace replacement and other major "capital investments"
- Gradual transfer of specialized green-collar skills and technology

And...

It can add a one-time quick-start, job-creating element: a major home repairs program, **Weatherization-Fix,** that will invest up to 25% of funds in:

- Replacing roofs
- Installing high-efficiency furnaces
- Repairing broken floors, window, or doors
- Bringing electrical systems to safety code standards

However, there are statutory constraints that would constrain and delay the new investments and the employment impact of the program unless they are changed, and we ask the Committee's support for the necessary changes. The unwieldy limitations include: the ceiling on the average investment levels per home, on the specialized training and on some elements of program operations Without added flexibility and expanded program purposes, as explained below, we believe that no more than $1 billion, or half, could be spent over two years.

Each key program element is discussed below with the statutory or policy changes it requires, if any. Some will prepare the program to meet the challenge of permanent expansion that meets the needs of a carbon-constrained nation; others are temporary to meet job-creation goals.

The proposed growth to $2 billion is rapid, but not exponential. The Weatherization network already has about $1 billion from all funding sources in the current fiscal year (with the $250 million in the CR). Its PY 2007 total funding was $779.5 million; its PY 2008 total was $772 million.[ii] A 2009 W.A.P. program with an additional $750 million this year will be just over double (225%) of its size in 2008. States' percentages will vary considerably by region. Great need and opportunity for CO2 reductions lies with warm states' especially inefficient low-income housing stock, where the program penetration and funding has been extremely low.

The One-Time Major Repair Program: "W.A.P.-FIX"

- We are suggesting authorizing the use of ¼ of the funds for a function that is not a major component of Weatherization today. Substantial work could be contracted VERY quickly – in some areas DAYS after funding begins if Weatherizers are allowed to make major repairs of four types:
- Replacing roofs
- Installing high-efficiency furnaces
- Repairing broken floors, window, or doors
- Bringing electrical systems to safety code standards

The skilled licensed contractors who will do that work are not required to know how to weatherize homes. Local agencies routinely contract for all those licensed trades' services including HVAC installers, electricians, and roofers in the few homes where they can raise funds to make those investments. The contractual relationships are in place.

Further, local Community Action Agencies have records of dozens or hundreds of homes where Weatherization was denied ("deferred") because the rotted roof would not protect the insulation or the wiring was unsafe. Many weatherized homes needed a replacement furnace which will be extremely cost effective, but both the program and the owner lacked the capital. Most heating systems used are U.S. made. In other word, there is an identified "market" – addresses and income eligibility already verified and a willing private workforce ready to go.

Note: The four general types of major repairs are not rehabilitation of the entire house or all its systems. CAAs partner with others, typically CDBG –funded programs, which specialize in the slow, individualized process of designing, permitting and overseeing and true 'rehab'.
Weatherizers see their role as assisting partner agencies with the efficiency upgrades, but managing only the repairs listed above.

ISSUES AND CHANGES NEEDED

The statutory restriction on re-visiting homes that received previous limited W.A.P. investments must be waived for the stimulus period.
As noted above, the agencies know the location of homes needing the major repairs because they have worked in them and done whatever minor work was possible, perhaps replacing the refrigerator or freezer. That makes the home ineligible for a new treatment.

"Core" Weatherization as a Stimulus

1. Employment

The Size of the Workforce

There are no contemporary data from the field on the workforce size. BEA construction sector modeling suggests that the PY 2008 program, absent any stimulus, will generate at least 9,000 direct jobs, absent any stimulus, from *all* its funding sources combined. Those will lead to 2.9 times as many indirect jobs (suppliers, services, fiscal support, etc.) and induced jobs (those created by all workers and businesses spending their pay). W.A.P.'s network has the highest funding level (from all sources) in the program's history; because of the record LIHEAP funding that probably will add about $300 million more than last year to W.A.P. programs in 44 states.

Employment Stimulus

The $1 billion per year, two-year program would increase all employment by 75% to about 46,700 jobs (using the conservative BEA formula). The growth rate will vary dramatically by state.

Since we believe the current workforce is considerably larger and, because it is lower-paid than the wages assumed in the BEA models, the number of newly-employed could also be considerably more. Improving the retention rates for the newly trained skilled workers and contractors will require better wages as the economy recovers.

Readiness

Local Contractors and Community Agency Employees

At the last survey of local Weatherizers in 2002,[iii] about half the workforce was private contractor labor. The practice varies by state. The local Community Action Agencies that use contractor labor must retain at least one technically skilled employee to train, manage, and inspect their work.

Many private contractors have the equipment needed for the W.A.P. and hundreds of their employees have some W.A.P. training; in fact, the increase in LIHEAP funding for W.A.P. is resulting in more contracting today. There remain underemployed trained Weatherizers can be put to work while new recruits are trained.

Job Skills and Training

The program requirements mean the workers who evaluate homes and install efficiency measures need specialized skills based on an understanding of building science, and state-of the-art tools that diagnose building energy loss sources, inefficient indoor air movement and

safety hazards, as well as the investment/work order "audit" or decision tool. The local agency staff and private contractors need the programs' training to use them.

Appendix A defines the levels of "core competencies" that make up the workforce. The highest level, auditor, needs six to eight months of formal training, including supervised field work and classroom, and can then work independently if monitored in the field by a more experienced auditor. W.A.P. local agencies will need many more auditors with comparable advanced training.

Issues and Changes Needed

Weatherization Skills Training Expansion
DOE training resources are limited to 10% of a state's grant. This has allowed only a small share of workers at any level to attend formal training. Contractors must pay for training and equipping the workers they assign to W.A.P.

Changes are needed to ensure hiring and the quality of the workforce. For the two year period:

- Allow 20% (not 10%) of FY '09 and '10 funds for state/local T+TA
- Directly subsidize contractor workers' training
- Develop federal and state standards and "best practices" for W.A.P. green-collar workforce development.

There are no data indicating how many in the W.A.P. workforce receive the formal training or credential each year. Ten training centers, regular regional meetings, and biennial national training sessions serve a minority; however, most workers rely on skills passed on by their supervisors or peers. Few have the resources in their program to maintain a program of studies through a certificate or other credentials. States received 8.5% of the program funds for "Training and Technical Assistance" or "T & TA", including for their staff and their technology transfer. The Department retained 1.5% for federal technical support, research and training events.

The rate at which training is offered to the current workforce is a barrier to ramping up. The barrier is highest for private contractors. The program requires them to provide already-trained workers; they spend training costs in hope of winning jobs.

2. Production

The states reported more than 140,000 homes were fully weatherized using any funding source in 2007. Of these, 82,409 received DOE-funded investments. However, that total omits fully-weatherized "non-federal" units in California, Pennsylvania, and Washington's large utility programs among others. **The true total of units weatherized by the local network was almost certainly over 175,000 in FY 2007.**

Issues and Changes Needed

The outdated statutory limit on average expenditures per home must be repealed or replaced by an average which allows for major improvements including heating system replacements when their Savings to Investment ratio is high, or when they are a hazard.

DOE Weatherization works effectively because matching funds are available to pay for essential services and materials that the DOE regulations or statute restrict primarily the statute's limit on statewide average expenditures, which is $2,966 in 2008.

While no national figures on all the funding "packaged" per home have been validated, the NASCSP surveys[iv] allow us to estimate states' average expenditure of labor and materials per home. Other funding sources, especially LIHEAP, have more flexible conditions. For most, the figure is between $4,000 and $5,500 using all their sources of funds. This figure varies widely among states from $2,000 in Hawaii (no LIHEAP, no utility money, low usage) to well over $8,000 in Alaska (predominantly state funding with LIHEAP and W.A.P., high usage).

Matching funds will not grow at the speed of the "Core" W.A.P. That means new work will be more constrained by the statute than is currently the case; there will be a proportional reduction in purchases of cost-effective, but higher-cost, measures like efficient furnaces, appliances and repairs. Crews will have less equipment, older vehicles and low pay. (All those costs are allocated to the cost-per-home.) Even more homes will be rejected as candidates because they need repairs or safety upgrades before insulation and air sealing can occur. These dilapidated units are also the most inefficient.

If the cost-effectiveness test is not a satisfactory alternative to the outdated statutory limit on average expenditures, one option is a temporary ceiling of $7,000 to be reviewed in two years when the permanent program is designed. This overdue change will make the expanded program spend quickly while increasing its energy savings and CO2 reductions, and retaining its qualified workers.

The OMB program "metric" is 'units produced'. This should be discarded; if the suggestion seems too radical, then the all goals of the program and the stimulus should have results that are weighted together, including energy bill savings, CO2 reductions and, for the life of this statute, employment effects.

3. Capital Equipment Acquisitions for the Workforce

Agencies equip their employee crews with specialized equipment and agency vans. Contractors must own the same specialized equipment before bidding to work for the program. It costs between $55,000 and $70,000 to equip a crew of 3-4, including a van or truck that is set up with the insulation blower, generators, blower door, scanners and other testing equipment required for the job. (Nearly all the technology/tools for the crew are made in the US).

An early purchase strategy in summer of 2009 will create jobs and avoid any delays later as new personnel finish training.

Issues and Changes Needed

Agencies should be encouraged to purchase all the new equipment and vehicles they will use for their ramped up workforce as soon as possible to jump start the stimulus impact. This requires <u>waiving some federal accounting rules which require the vehicle cost be assigned to homes being served.</u>

Further, DOE should adopt the policy that agencies own the sets of specialized equipment contractors will use and lease it back to them. This removes a major stumbling block to quickly bringing new small businesses into the program. Credit for $65,000 of purchases is harder to come by than ever, and the possible loss of the W.A.P. business before the equipment is amortized is a threat. No regulatory change is needed.

4. Management

ISSUES AND CHANGES NEEDED

DOE Capacity
The closing of the EERE regional offices and the decimation of the population of technically qualified Headquarters staff already means W.A.P. runs without vital federal supports. It is inexplicable that EERE's growth has brought travel restrictions on our federal monitors; they cannot attend training outside their base without forgoing their oversight responsibilities.

The Committees must require substantial increases in federal personnel with the appropriate experience and credentials and oversee the DOE management of the program until it recovers.

State Capacity
We are very concerned about the constraints on the staffing of our state leadership in an era of state hiring and travel freezes. Many offices are understaffed today and lack technical competence that training centers and peers can offer. Grants should include assurances these constraints will not fall on the federal program, which is providing half of the administrative allotment to the grantee.

Local Administrative Cost Restrictions
The 1990 amendments to the statute allowed a higher percentage of administrative funding for small local agencies; 10% instead of 5% so they could purchase the core administrative services required to operate with federal funds. (States typically keep half of the administrative funds - another 5%). Small agencies were considered to be those with grants under $350,000 in 1990. This increase will pull many of the hundreds of small agencies above the threshold - they would have to double in size to regain the lost administrative dollars- but by then they would be serving twice as many participants.

The statute must change. Our temporary suggestion for an adjustment is to double the 1990 ceiling to $700,000 and allow states to negotiate a declining rate, but not less than 5%, with agencies that are growing beyond the $700,000 threshold.

5. Preparing for the Next-Generation W.A.P.

Careful evaluation of the results of this job-oriented initiative compared to careful evaluation of the way the "core" W.A.P. can contribute to the national goals of reducing greenhouse gases, investing in a green-collar labor force, and making energy bills affordable for low-wage workers, retirees, and their families.

Whether the future program expands further or contracts, all its investments should guarantee lower CO2 emissions and major energy efficiency results and persist. Report guidance is needed to ensure the Department uses the stimulus period to complete the national evaluation of core W.A.P. practices funded and then interrupted by the current DOE leadership. The state-of-the-art in any residential retrofit initiatives should be identified and used in the development of more advanced standards for program practices and, most importantly, its training. By FY 2011, a workforce training plan and operating strategy should be developed, together with partnerships with institutions that will deliver training leading to green-collar careers; the Department must create more linkages among federally funded initiatives that are supporting the residential retrofit sector's workforce and practices.

Federal technology support for the program should be appropriated for these purposes; these would be in addition to the training funds. The one-time, delayed major evaluation will require .005. There should be another 2% set aside for the two-year period that both underwrites, put bluntly, a technical catch-up period followed by the development of the nationwide training capacity that the program and the private sector will require for a low emissions economy.

With the Committee's support for such a framework, the weatherization delivery system will commit to strategic plan to get the job done, correct any bottlenecks and put American homebuilders back to work at lowering consumers' unaffordable energy bills and reducing our greenhouse gas emissions for a generation to come.

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[i] Mark Zandi, Testimony before the U.S. House Committee on Small Business, July 24, 2008

[ii] Economic Opportunity Studies, "How Many Workers Does the Weatherization Assistance Program Employ Now? What About the Future?"
http://www.opportunitystudies.org/repository/File/weatherization/WAP_Workforce_Scenarios.pdf

[iii] Economic Opportunity Studies, "Weatherization PLUS Other Efficiency and Housing Investments Delivered by Local Weatherizers in PY 2000"
http://www.opportunitystudies.org/repository/File/weatherization/Weatherization_Survey_Report.pdf

[iv] www.waptac.org