

TO: House Committee on General, Housing, and Military Affairs
 FROM: Sarah Phillips, Director, Office of Economic Opportunity
 RE: H.831 An Act Relating to Funding for an Accelerated Weatherization Program
 DATE: February 15, 2018

H 831 directs \$5 million in funds in fiscal year 2019 and 2020 from the State Treasurer Office’s local investment capacity (10 V.S.A chapter 10) into financing for home weatherization for moderate income households. As we understand the bill, the Treasurer’s Office loans these funds to an intermediary who underwrites loans to eligible households. As written, the bill directs the Treasurer’s Office to provide funds to community action agencies (3 V.S.A chapter 59) to provide loan capital on terms and conditions established by the Treasurer’s office.

We understand that the Treasurer’s Office already has authority to direct local investment capacity towards weatherization assistance; however, H.831 would prioritize funds for weatherization activities over other areas of investment (e.g., housing in general, post-secondary education, renewable energy, business financing, etc). Since 2014, the Treasurer’s Office has invested almost \$2million in energy loans (see http://www.vermonttreasurer.gov/sites/treasurer/files/cash-investments/local-investment-advisory-committee/supporting-materials/LIAC_FINAL2018_Report.pdf).

First, we would like to distinguish between the income levels of the LIHEAP program, the low income Weatherization program and the proposed eligibility for the weatherization loan.

Income Levels of a Vermont Household of 4:	120% SMI	80% SMI	60% SMI	185% FPG
Home Weatherization Assistance Program*		\$55,440	\$41,580	
Low Income Heating Assistance Program (seasonal)				\$45,510**
Proposed Eligibility for Weatherization Financing	\$83,160			

*Low Income Home Weatherization Assistance Program eligibility is 80% of SMI (or AMI, whatever is greater), with prioritization for HH below 60% SMI.

**Crisis Fuel is extended to HH with income up to 200% FPG

While home weatherization does provide fuel cost savings for LIHEAP recipients, we do not anticipate any indirect impact on LIHEAP expenditures or direct impact LIHEAP recipient savings as a result of additional loan capital for households with income up to 120% state median income. We would also look to ensure that all LIHEAP clients were appropriately referred to the Low Income Home Weatherization Assistance Program for weatherization services at no-cost to the household. By and large, it has been our experience that LIHEAP-eligible recipients either decline loans and/or are not able to access financing. In limited cases, we have worked with households to pair together small amounts of financing for home repair or vermiculite remediation through the Heat Saver Loan or USDA Rural

Development loans. As proposed, we do not view H.831 as addressing the weatherization needs of low income Vermonters.

We also want to direct the Committee's attention to existing financing for home weatherization. In particular, the Heat Saver Loan (administered by Efficiency Vermont) provides low interest loans of up to \$35,000, with 100% financing available. There are low-to-no closing costs that can be rolled into the loan, and loan terms are up to 15 years. Heat Saver Loans are the result of a partnership between the Vermont Public Service Department (including the Clean Energy Development Fund) and the Vermont Low Income Trust for Electricity (VLITE) along with the Efficiency Excellence Network and Efficiency Vermont under the Thermal Energy Finance Pilot Program.

http://publicservice.vermont.gov/energy_efficiency/heatsaver_loans

With this knowledge in mind and our own experience administering a Weatherization Assistance Program, we recommend the following changes to H.831:

- Remove Section (a)(2), which references LIHEAP savings as justification;
- Provide authority for "up to" \$5million of funds, to allow for a downward adjustment if loan funds are not accessed;
- Edit Section (b)(1) to remove direction of funds to community action agencies;

We would encourage the committee to ensure that the loan intermediary or underwriter is not the same organization delivering weatherization services. This is a basic consumer protection. For community action agencies to both underwrite loans and provide weatherization services financed with said loans would constitute a conflict of interest, even if transactions could occur "at arms length".

- Add requirements that weatherization services be conducted by Contractors who are part of Vermont's Home Performance Contractor network; and
- Add an energy savings goal for weatherization services financed by these funds.

Please do not hesitate to be in touch for additional assistance or clarification.

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