

To: Sen. Christopher Bray, Chairman, Senate Natural Resources and Energy Committee
From: Maura Collins, VHFA and Rebecca Foster, Efficiency Vermont
CC: Senate Natural Resources and Energy Committee Members
Date: 3.10.2021
Re: Discussion Framework for Weatherization Appropriation

Introduction

Our two organizations have been asked to provide input on a potential \$16M one-time appropriation for weatherization. The following document is intended to only be an outline of a workable framework for these funds, with the final discretion in this matter in the hands of the Legislature, based on your policy priorities.

This proposal is designed to innovate in the weatherization financing space, maintain enhanced levels of incentives, and ramp up the weatherization workforce. Our **twin goals are to weatherize more homes and increase the number of qualified workers** while ensuring work is performed with a critical focus on health, safety, and the principles of building science.

This proposal builds on the enhanced incentive levels and workforce development efforts Efficiency Vermont initiated as part of implementation of Act 62, and which could be expanded with relative ease. Efficiency Vermont has built a strong foundation for its statewide weatherization program and has developed many longstanding partnerships with organizations to help develop the contractor workforce and will support and build on those efforts.

At the same time, the Vermont Housing Finance Agency (VHFA) will complement that work by partnering with Efficiency Vermont, utilities, and others to pilot financing models with a goal of bringing weatherization to scale. By amassing funding, creating investment tools, and building partnerships, VHFA will work to deliver one or more statewide financial vehicles to deliver the capital needed to support residential weatherization.

Our organizations are jointly co-authoring this document, as this proposal cannot succeed in a vacuum. Contractors will not invest in hiring, training, and shifting their business models unless they can count on continued solid demand from Vermonters to weatherize their homes. Goals will only be achieved if:

- **Workforce development investments are paired with a robust effort to provide adequate and consistent incentives for moderate income Vermonters to weatherize.** Therefore, we would not recommend making this investment in the workforce in absence of an investment in direct customer incentives through the end of 2023.
- **There is a structure for ensuring programs can continue to provide customer incentives and support in 2024 and beyond.** It only makes sense to increase the workforce if we expect that increased customer demand will be sustained over time.

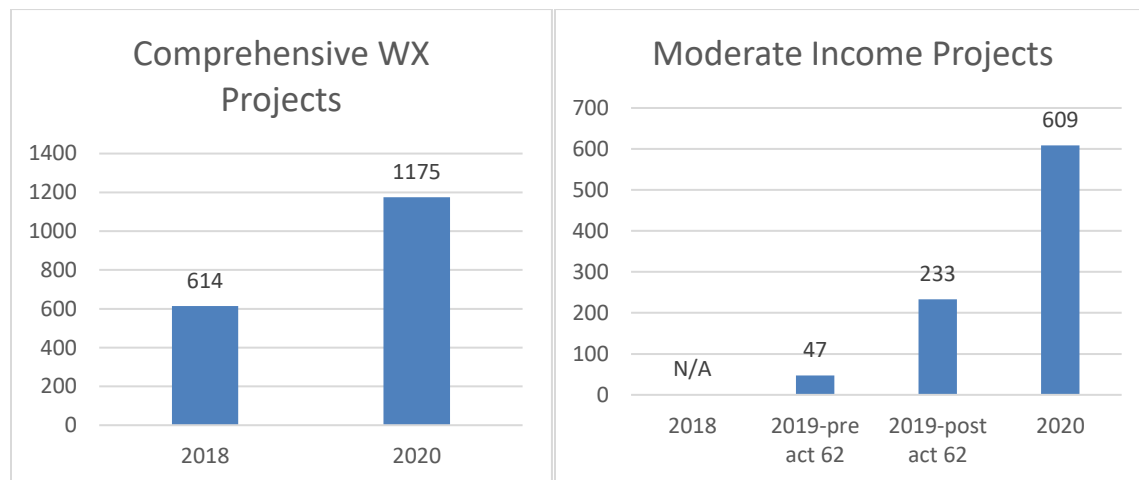
Efficiency Vermont - Enhanced Incentives, Workforce Development, & Outreach (\$7M)

Enhanced Incentives (\$5M)

As a result of Act 62, Efficiency Vermont has been able to offer enhanced incentives (50% of project cost up to \$4000) for low- and-moderate-income Vermonters to complete weatherization projects for the past 2 years. Efficiency Vermont's program experience has shown that incentives are a critical program component because they lower the overall project costs for customers and provide certainty to contractors and supply chain partners that customer demand for weatherization services will persist over time.

Efficiency Vermont estimates that approximately \$5M is required to offer similarly enhanced incentives through the end of 2023. This approach will continue to **build on the momentum from 2020**, create more certainty for contractors and customers, and enable VHFA to work with partners on **developing innovative financing mechanisms** that can help carry market activity forward.

The results of offering these incentives are a clear uptake in projects, as demonstrated below. The number of comprehensive weatherization projects completed in a year almost doubled in 2020 compared to 2018 (the year before the enhanced incentives were offered).



Workforce Development and Outreach (\$2M)

Efficiency Vermont's workforce development proposal is framed around the following core strategies, all of which are detailed below. It should be noted that our workforce development efforts will be finalized and implemented with our many partners in this space. **A draft budget follows.**

Recruit and Train Contractors

Contractor training efforts would be focused on:

- Recruitment of non-BPI certified contractors to participate in BPI trainings, or to form partnerships with EEN contractors (to act as subcontractors completing weatherization projects under the oversight of BPI-trained contractors). This work would be carried out in partnership

with **VBRA, NWWVT, the Office of Economic Opportunity, low-income Weatherization Agencies,** and others.

- Provision of paid BPI training for contractors who pass their certification exam and ultimately sign on to join the Efficiency Excellence Network (EEN). This work would be carried out via an existing partnership between Efficiency Vermont and **Vermont Technical College.**
- Oversight and mentorship of EEN contractors, ensuring they are closely connected to Efficiency Vermont technical experts, so they can continue to build their skills and experience, especially on matters of health and safety.
- Efficiency Vermont will offer both technical and sales trainings to contractors. These will include foundations of building science (to help lower barriers to entry) and how to develop leads and effectively sell projects (to ensure contractors can communicate effectively about the multiple benefits weatherization provides). We have typically offered a mix and would continue to do so.

Expand Access

These activities would be focused on ensuring that customers throughout the state have access to trained contractors and program incentives, as well as on developing new partnerships to find and recruit the next generation of weatherization contractors.

- Renew a contract (which expired at the end of 2020 due to reduced thermal budgets) with the **NWWVT Heat Squad** to ensure Vermonters have access to trained contractors – especially in underserved areas of the state, such as the Northeast Kingdom and Bennington county.
- Develop and support new training partnerships with **Tech Centers, Vermont Adult Learning, ReSource** and others to recruit and train the next generation of weatherization contractors.

Ensure Equity

Efforts would be grounded in supporting equitable access for customers, with a focus on:

- Program enhancements to reduce barriers for customers, for example through expanding the existing partnership with **3E Thermal** to weatherize multifamily buildings and ensure that renters can benefit from weatherization.
- Development of local partnerships via community engagement to recruit both customers and contractors from diverse backgrounds and underserved communities.
- Provision of free home energy visits (conducted by Efficiency Vermont staff) for customers seeking counseling support as they consider scoping and taking on a weatherization project.

Draft Budget for Workforce Development and Outreach

	2021 (July-Dec)	2022	2023	Total
Contractor Recruitment & Training (includes expansion of partnerships with VTC, VBRA)	\$150,000	\$375,000	\$375,000	\$900,000
Expanding Access through Partnerships	\$70,000	\$265,000	\$265,000	\$600,000
<i>Partnership with NWWVT HEAT Squad</i>	<i>\$50,000</i>	<i>\$200,000</i>	<i>\$200,000</i>	
<i>Partnerships with Tech Centers, ReSource, others</i>	<i>\$20,000</i>	<i>\$65,000</i>	<i>\$65,000</i>	
Ensuring Equity – Outreach	\$50,000	\$225,000	\$225,000	\$500,000
Total	\$270,000	\$865,000	\$865,000	\$2,000,000

VHFA - Bringing Weatherization towards Scale (\$9M)

VHFA will work with Efficiency Vermont and other partners within the energy efficiency industry to research, develop, pilot, and evaluate an on-bill (and/or to-the-meter) weatherization financing platform, with the goal of launching a pilot with one or more utilities in 2022. This appropriation would support the program development and implementation of this pilot, as well as create the no- to low-cost capital pool that will fund this program.

This initial investment will seed a fund to allow for on-bill finance and VHFA will look to grow this fund with other available external sources. There is additional capacity for VHFA to consider borrowing additional dollars, on VHFA’s balance sheet, to substantially grow this capital pool, if consumer demand warrants the need and the pilot grows to serve additional households. If the amount of borrowing is sufficient under this program, this initial state investment will create a revolving loan fund that can continue to support future homes well into the future. This is the kind of financing transformation that will build the infrastructure that could help bring Vermont’s weatherization market to scale.

Conclusion

Efficiency Vermont’s appropriation would maintain existing customer programs through 2023 while also developing the workforce and outreach capacity necessary to sustain this new level of weatherization work. At the same time the financing models explained above could be piloted, launched, and tested. This proposal ensures Vermont can both maintain the current level of activity and momentum built over the recent past, while also investing in the structures that will grow this market and increase support for customers.