



*Testimony of*  
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*Before*  
The Joint Standing Committee on Housing and Economic Development (132<sup>nd</sup>)

*In support of*  
**LD 996 An Act to Create the Weatherization Plus Program and Weatherization Plus Fund**

Senator Curry, Representative Gere, and members of the Joint Standing Committee on Housing and Economic Development, I am Erik Jorgensen Senior Director of Government Relations and Communications at the Maine State Housing Authority (MaineHousing) and I am submitting this testimony in support of **LD 996 An Act to Create the Weatherization Plus Program and Weatherization Plus Fund**.

MaineHousing has been helping Maine people own, rent, repair, and heat their homes since 1969. We are an independent state authority (not a state agency) created to address the problems of unsafe, unsuitable, overcrowded, and unaffordable housing. We are authorized to issue bonds to finance single family mortgages for first time homebuyers and for affordable multi-family housing.

We are also authorized to administer a number of state and federal programs, including rental subsidies, weatherization, fuel assistance, two housing block grants, the low-income housing tax credit program, and homeless grant programs. We receive state general fund revenue for homeless programs and receive a dedicated portion of the real estate transfer tax for the Housing Opportunities for Maine (HOME) Fund.

Last year, pursuant to legislation by Representative Malon, MaineHousing completed a report to the legislature on the inter-related topics of Weatherization and Weatherization Readiness, copies of which I am providing here. This report provided an overview of MaineHousing's weatherization programs: the Weatherization Assistance Program (WAP) and the Weatherization Readiness Fund (WRF). It also provided the basis for this bill, which looks at these challenges together. The working group unanimously found that the most accessible and efficient program recommendation would be a "Weatherization Plus" program, that expands the pool of resources while also unifying funding for the whole home process of necessary repairs and weatherization readiness.

Many homes that appear in our queue for weatherization get deferred (or rejected) for the weatherization work as they require repairs before the weatherization itself can begin. MaineHousing has for the past few years, had a small amount of Federal money to address some of these

weatherization readiness issues, and the program has proven itself to be valuable. Issues that can derail a weatherization project might include a leaky roof, safety hazards, or structural problems that cannot be addressed using our designated weatherization funds. What's more, these are projects that the family, who to qualify for the program must be at or below 200% of the Federal Poverty level, typically cannot afford to do. Providing a way to fix those problems so a home can be weatherized is what we mean by weatherization readiness.

Regarding weatherization work itself, the greatest current barrier for that is rooted in federal regulations: federal weatherization funds are capped at about half of what it normally costs to weatherize a unit to the required standard. To put that in a financial light, in program year 2023, DOE set the funding cap at an average cost of \$8,250 per unit, while the actual cost of weatherization that year came to approximately \$19,000 per unit, when required elements like an energy audit and program distribution costs were factored in. Since project completion is a requirement for funding eligibility, additional sources of funding are always necessary to close the gap between the federal cap and actual project expenses. MaineHousing has used an allowed portion of its HEAP funds and occasional other appropriations to provide that match, but cost is always a critical and difficult barrier to overcome.

LD 996 proposes an integrated fund that will address both weatherization and weatherization readiness needs. First it will help provide the match needed to complete more units using our federal weatherization funding, and second, it will provide some support to help reduce the number of deferrals due to building condition. We would likely apply these funds to households on our existing wait list.

We appreciate Rep. Malon for bringing this bill forward.



Report to the Maine Legislature Joint Committee on Housing

Pursuant to  
Resolve 2023, H.P. 388 – L.D. 611

**AN ACT TO CREATE THE WHOLE HOME REPAIRS PROGRAM**

**PREPARED BY THE STAFF OF THE  
MAINE STATE HOUSING AUTHORITY**

December 2023

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# AN ACT TO CREATE THE WHOLE HOME REPAIRS PROGRAM

## EXECUTIVE SUMMARY

In June 2023, Governor Mills signed into law L.D. 611 that tasked Maine State Housing Authority (MaineHousing) to convene a working group to design a program that will provide financial assistance to low-income homeowners for weatherization and other repairs needed to meet the eligibility requirements for home energy assistance programs. MaineHousing established a working group comprised of:

- Erik Jorgensen, MaineHousing
- Jamie Johnson, MaineHousing
- Jonny Kurzfeld, MaineHousing
- Genevieve Soucy, MaineHousing
- Kim Ferenc, MaineHousing
- Amanda Roy, MaineHousing
- Alex Cardali, MaineHousing
- Michael David, MaineHousing
- Marc Malon II, State Representative, Biddeford
- Brandon Elie, Able Contracting Services
- Clyde Moody, Mainely Mobile
- Sandy Albert, Community Concepts, Inc.
- Kevin Leonard, Community Concepts, Inc.
- Paul Raffel, Community Concepts, Inc.
- Melissa Runshe, Aroostook County Action Program
- Chris Cogar, Penquis Community Action Program
- Megan Hannan, Maine Community Action Partnership

The group met once to identify strengths and weaknesses of the current weatherization program, once to review a proposed program solution, and in the interim the MaineHousing working group convened a meeting with Ross Anthony of the Governor's Energy Office (GEO) to report on progress and discuss linkages between this program and other activities in the GEO and the Climate Council.

This report provides an overview of MaineHousing's weatherization programs: the Weatherization Assistance Program (WAP) and the Weatherization Readiness Fund (WRF). It examines barriers to delivering these programs; provides an overview of the statewide need and concludes with our team's proposed program solution.

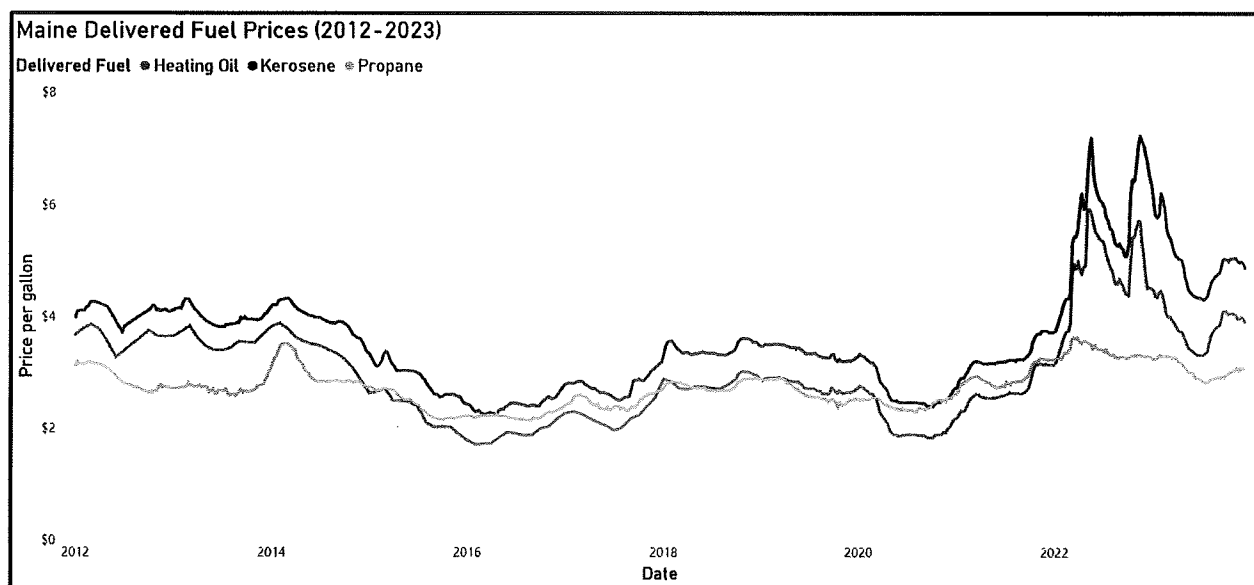
The greatest current barrier is rooted in federal regulations: federal weatherization funds are capped at about half of what it normally costs to weatherize a unit. Since project completion is a requirement for funding eligibility, additional sources of funding are necessary to close the gap between the federal cap and actual project expenses. In addition, weatherization readiness projects have shown the value of funding for necessary repairs that allow weatherization to take place, but these too are limited by tight spending caps and restrictions on the measures that these funds can be used for.

Because of these barriers, the working group unanimously found that the most accessible and efficient program recommendation is a "Weatherization Plus" program, that expands the pool of resources while also unifying funding for the whole home process of necessary repairs and weatherization readiness.

## BACKGROUND: ABOUT MAINE'S POPULATION

According to recent research by the United Way's "United for ALICE" project, 42% of Maine's 583,562 households are financially challenged, with 12% in poverty and around 30% earning more than the federal poverty level but still unable to afford the basics where they live<sup>[1]</sup>. These families are often forced to make difficult choices between food, medicine, home repairs and childcare. Maine also has the highest median age of any state in the nation, at 44.8 years, with a large percentage of its residents living on fixed incomes, which contributes to high levels of financial stress. Maine's low-income residents, like those throughout the United States, face higher energy burdens than other residents. That is, they spend proportionally more of their budgets on electricity and heating fuels than higher income residents<sup>[2]</sup>.

Energy burden, always a challenge for households in Maine, is of rising importance. Even while the climate has become more variable, energy prices have become increasingly volatile and reached all-time highs. For those households in or around poverty, sharp increases in heating costs are invariably catastrophic. This is only becomes more true if the home in question is not properly weatherized.



Source: <https://www.maine.gov/energy/heating-fuel-prices>

For any of these households, large and unexpected expenses can be disastrous, and urgent projects like replacing a leaky roof are often postponed to a point where damage from the initial problem can snowball into other areas and systems. A lack of paint leads to loss of clapboards, or a leaky roof damages the sheathing and provides a foothold for mold growth. This can lead to the potential loss of housing stock.

<sup>[1]</sup> United For ALICE Research Center, Maine, November 2023.

<sup>[2]</sup> Maine Low-Income Home Energy Burden Study Final Report, June 2019, Maine Office of the Public Advocate.

## BACKGROUND: THE SOCIAL AND ENVIRONMENTAL BENEFITS OF WEATHERIZATION

The Weatherization Assistance Program (WAP) subgrantees deliver services in a whole home approach. When performing home assessments, other programs are considered to leverage with weatherization services. Often the Heat Pump Program (HPP) is combined with WAP. The combined savings when a home receives weatherization services and a heat pump is estimated at \$1,345 annually. Electrification is a key step in efficient decarbonization and part of statewide efforts to combat the climate crisis; further integrating an electrification model with WAP that would allow the state to incorporate additional heating or cooling technology, and thus accelerate progress towards the goal of making buildings more energy efficient<sup>1</sup>. This approach is also an opportunity to contribute to workforce development by creating new high-skill jobs.

The social benefits of weatherization extend beyond the climate-related externalities of reducing household energy consumption. When Mainers are able to appropriately heat their homes, they are less likely to fall ill and therefore less likely to stay home from work. Relatedly, they are less likely to incur medical expenses, and given the demographics of the constituency in need of weatherization services, those medical expenses are likely to accrue to MaineCare. A national evaluation by the U.S. Department of Energy found that, on average, weatherizing a home saved the household \$583 per year due to fewer days of missed work and \$514 per year in fewer out-of-pocket medical expenses. With the severe cold weather in Maine, it is reasonable to assume that these benefits are even greater than the national average.

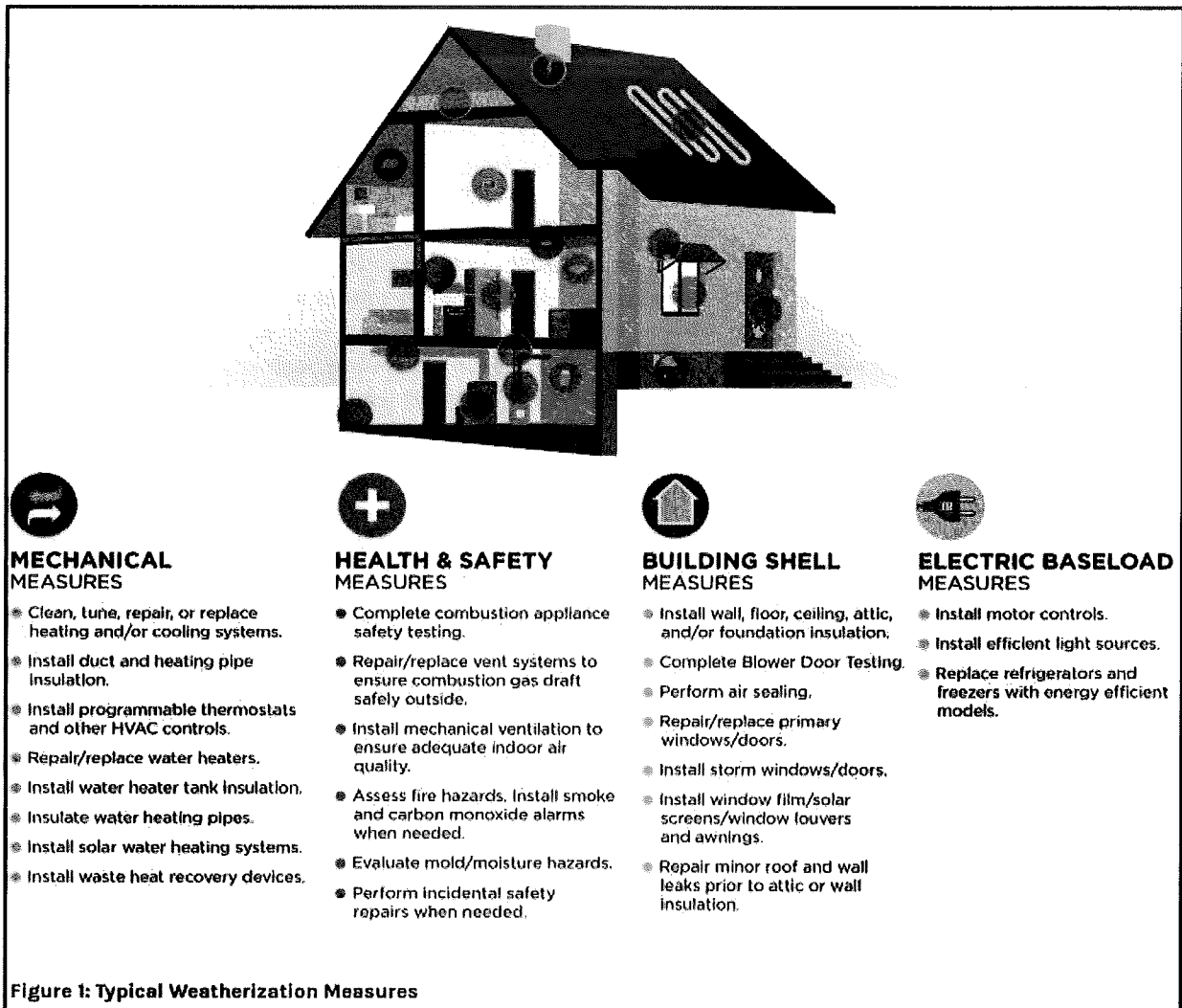
## PART I: MAINEHOUSING'S WEATHERIZATION PROGRAMS OVERVIEW

### A. WEATHERIZATION ASSISTANCE PROGRAM

Maine's Weatherization Assistance Program (WAP) has been administered by the Maine State Housing Authority (MaineHousing) since 1990. The program is funded by the U.S. Department of Energy (DOE) and is designed to help eligible low-income households with the installation of energy conservation measures in their homes. This program requires a "whole house weatherization" approach, and so the DOE's WAP is different from what most people understand to be "weatherizing" a home. What is commonly referred to as "weatherizing your home" involves low-cost improvements, such as adding weatherstripping to doors and windows to stop drafts, as well as discrete measures like adding insulation. The DOE WAP approach, in contrast, examines the entire home and analyzes all of the building systems: the building envelope, heating and cooling systems, electrical system, and electrical baseload appliances.

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<sup>1</sup> Given some social counternarratives about heat pump reliance on electricity, it should be noted that most fossil fuel heated homes also rely on electricity service for operation.



All WAP projects require the completion of a full energy audit. This audit is conducted to obtain a comprehensive view of the home's current condition and energy-saving opportunities. During the process, the Energy Auditor identifies all energy-saving measures with sufficiently high projected savings to investment ratio to justify their installation given the Department of Energy's required model.

The investments made by WAP are designed to reduce the home's energy consumption over the long term and must be expected to persist for at least 15 years in order to comply with program guidelines. The WAP program is complex and far more expensive than some of the simple projects commonly understood as weatherization. However, this science-driven, whole-home approach results in more substantial energy savings that maximize benefits to the homeowner, the economy, and the environment.

### Program Funding

MaineHousing began administering the Department of Energy's Weatherization Assistance Program in 1990 and that has remained the primary stable source of funding for WAP since its inception at



that time. For the current DOE 2023 Program Year (April 1, 2023 through March 31, 2024) the total allocation is \$3,898,763. Of that amount, \$3,205,253 is allocated to program expenses and \$693,510 is allocated to training and technical assistance for service providers and partners.

Given project spending caps on the DOE funds and the high costs of most WAP projects, it is necessary to use secondary sources of funding to leverage the DOE funds. Unfortunately, even as the spending caps lag further and further behind actual project expenses, traditional sources of secondary funding are becoming more competitive and many grants are burdened with restrictions that make it impossible to use them in tandem with the DOE funds.

One example of such restrictive funding is the DOE Bipartisan Infrastructure Law (BIL) money that MaineHousing received from the 2021 Infrastructure and Jobs Act. These funds cannot be woven with the DOE WAP funds and thus cannot be used to leverage those monies to cover the full cost of WAP projects. Instead, MaineHousing is finding creative ways to use the DOE BIL funds to finance important weatherization projects that do not qualify for funding under the DOE WAP guidelines, such as weatherization of multifamily units. Yet it remains the case that funding restrictions prevent these two sources of DOE funds from being used to their greatest effect.

WAP has historically relied on the Low-income Home Energy Assistance Program (LIHEAP - HEAP Wx) for secondary funding. The LIHEAP program, which centers on home energy assistance, allows for up to 15 percent of the fund to be directed toward weatherization projects on the rationale that it will reduce the household energy burden. This has always been an important source of funding to leverage the DOE's weatherization funds. However, recent trends have led to decreasing availability of LIHEAP funds for weatherization purposes. This is due to rising fuel costs combined with the expiration of several one-time pandemic heating assistance programs and increasing demand for fuel assistance overall. When demand for fuel assistance exceeds the available funding, it is necessary to divert more funds to direct assistance. In addition to regular HEAP fuel assistance benefits, LIHEAP also covers the Energy Crisis Intervention Program (ECIP), which helps families who will imminently run out of fuel, and the CHIP program, which repairs and replaces central heating systems in low-income households. Last year, MaineHousing exhausted the entire LIHEAP program budget, which is expected to be even more strained in the coming year due to the reduction in available funds. In other words, even though weatherization is an important intended use for program funds, LIHEAP is becoming a less-available source to leverage funding for weatherization.

## Program Administration

MaineHousing administers WAP statewide, through Community Action Agencies (CAAs)<sup>2</sup>. The Weatherization Assistance Program is designed to help the clients with the *highest energy burden and the highest need*. The CAAs develop and maintain a waiting list of all Home Energy Assistance Program (HEAP-eligible) households. If a household receives assistance, the weatherization services provided to that home are provided at no cost to the homeowner.

Household eligibility is determined primarily through the application for HEAP assistance. If a household has a certified eligible application or has income less than or equal to 200% of the federal poverty level, they may be eligible for WAP. However, an eligible dwelling unit must be stationary

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<sup>2</sup> For further information about Maine CAAs, visit <https://mccap.org/>.

and not part of a large multifamily structure. Maine defines eligible structures to include stationary manufactured homes, stick built houses, and buildings with up to four rental units. An eligible dwelling does not include a camper, or other structures designed and constructed to provide temporary living quarters. The eligible applicant must be a current occupant of the home receiving weatherization services.

Eligible households are then ranked according to a set of criteria to identify highest need and highest energy burden. A household may have up to 20 points, where more points indicates higher need and/or energy burden. The points that comprise this WAP rank are assigned based upon the presence of older adults, very young children, or persons with disabilities, as well as household energy burden and poverty level. The specific criteria are in the following tables:

| Factor  | Points |
|---|--------|
| Elderly (60 years of age or older) <b>or</b> children (6 years of age or younger) <b>or</b> persons with disabilities | 10     |
| Annual Energy Usage/Energy Cost   | 0-5    |
| Poverty Level   | 0-5    |

| Usage/Costs       | #Points |  | % Poverty   | Poverty Level | #Points |
|-------------------|---------|--|-------------|---------------|---------|
| \$0 - \$800       | 0       |  | Under 75%   | 1             | 5       |
| \$801 - \$1,200   | 1       |  | 75% - 100%  | 2             | 4       |
| \$1,201 - \$1,600 | 2       |  | 101% - 125% | 3             | 3       |
| \$1,601 - \$2,000 | 3       |  | 126% - 150% | 4             | 2       |
| \$2,001 - \$2,500 | 4       |  | Above 150%  | 5             | 1       |
| \$2,501 and over  | 5       |  |             |               |         |

### Project Deferral

Many applicants to the WAP who would otherwise be qualified find that pre-existing conditions in their homes make them ineligible for weatherization services. Given the age and condition of Maine’s housing stock, one of the chief obstacles for completing weatherization projects is deferrals. A deferral occurs when one or more conditions in a unit makes it impractical to weatherize. All HEAP-eligible households are lower-income and many are experiencing severe poverty, so there are frequently multiple conditions in a unit and each could be sufficient cause for a deferral.

While there are many reasons outlined in the program manual that might warrant deferral, they can be grouped into a few general categories:

1. Occupancy conditions, such as the unit is vacant, for sale, or scheduled for demolition, burned out or otherwise uninhabitable, or if it is in the process of being remodeled in a way that is uncoordinated with the weatherization program;
2. Structural Conditions that would make weatherization impossible or impractical, such as a worn out and widely leaking roof. Or an improperly installed mobile home;
3. Safety Hazards either deemed to be a threat to the inhabitants or to the weatherization personnel. These range from animal or insect infestations, disconnected waste water pipes, unsafe levels of mold or mildew, or moisture, hazardous wiring, unvented combustion appliances and/or the presence of high levels of carbon monoxide. These also may include the presence of illegal drugs or illegal activities.
4. Resident Issues: The applicant and/or homeowner is uncooperative with the CAA or its contracted agent. (For example, demanding that certain work be done and refusing higher priority work which is needed, being abusive to the work crew or contractor, or by being unreasonable in allowing access to the unit.) The CAA is required to work with the applicant and/or homeowner to address situations. If this fails, work shall not commence
5. Emerging Issues: If, at any time prior to the beginning of work (work officially begins when the contractor shows up to perform weatherization services), the CAA or contractor determines that the dwelling is no longer eligible, or personnel believe that circumstances may have changed since application.

| Report Created: 11/14/2023        |             |
|-----------------------------------|-------------|
| Date Range: 11/14/2022-11/14/2023 |             |
| <b>Denied Summary:</b>            |             |
| Area inaccessible                 | 14.         |
| Ceiling unsound                   | 19.         |
| Client Health                     | 5.          |
| Crew safety                       | 11.         |
| Drainage                          | 7.          |
| Health issues                     | 6.          |
| Lead paint                        | 3.          |
| Mold issues                       | 19.         |
| Other                             | 69.         |
| Roof issues                       | 55.         |
| Safety issues                     | 29.         |
| Unsound structure                 | 23.         |
| Reason Unknown                    | 0.          |
| <b>Total Denied Applicants</b>    | <b>262.</b> |

While in some cases these issues can be resolved quickly, in others, especially those involving physical conditions of the property, work simply cannot proceed. In many cases, the household does not have the financial means to carry out this work themselves.

The accompanying chart shows the number of deferrals by stated cause for the previous year. The category “other” includes these homes that do not easily fall into a specific category, with issues such as knob and tube wiring, asbestos, unsanitary conditions, etc. The most common deferral reason is for roof issues, which are most often prohibitively expensive for the household to address on their own. Per program rules, the existing home structure needs to be in a condition that can sustain a minimum time span of 15 years to assure that investments made to weatherize a building will perform over time.

Since January 1, 2010, there have been 5,630 homes deferred for weatherization services within the state of Maine. This is an average deferral rate of 433 homes per year. In the last 12 months (November 14, 2022 through November 14, 2023), only 262 homes have been deferred for services. The reduction in deferrals, relative to the average, is at least in part attributable to the successes of the recently added Department of Energy’s Weatherization Readiness Fund (WRF), which is aimed specifically at repairing conditions that result in deferrals.

## B. U.S. DEPARTMENT OF ENERGY WEATHERIZATION READINESS FUND

Recognizing the frequency of deferrals and mounting evidence that the net social benefits of a completed WAP job are sufficiently high to justify greater expense, in FY 2022, the U.S. Department of Energy created a new sub-component of WAP called the Weatherization Readiness Fund (WRF). This component is designated for use in addressing structural or health and safety issues of homes that are currently in the queue to be weatherized, but at risk of deferral due to those issues. It also covers homes that have already been deferred. This funding is specifically targeted to cover investment in a dwelling unit that is necessary for a WAP job to commence, but that the client is unlikely to complete without assistance.

MaineHousing has designed the program to reach a maximum per unit cap of \$15,000. The WRF measures allowed under this program are:

- a) Electrical repairs, including removal of knob and tube wiring.
- b) Wall, ceiling, and floor repair.
- c) Foundation or subspace repair.
- d) Exterior drainage repairs (e.g. landscaping or gutters).
- e) Plumbing repairs.
- f) Roof repair.
- g) Roof replacement.
- h) Repair or replacement of damaged door/windows.
- i) Lead paint remediation
- j) Asbestos (confirmed or suspected, including vermiculite), mold and/or moisture.
- k) Other (prior approval is required for this measure).

Of course, some of these measures can exceed the \$15,000 maximum on their own, much less in cases when the unit has multiple issues that require remediation. For example, a roof replacement on a sufficiently large home can easily exceed \$20,000. Additionally, all units receiving WRF must result in a DOE certified weatherization completion. This complicates matters for the CAAs because commencement of one job can reveal further issues that were not detectable during the initial assessment and energy audit. If those additional measures preclude weatherization, whether due to practicality or spending caps, then the CAA may find themselves on the hook for the expense of the completed work. This leads to an understandable degree of caution on the part of our providers.

### Program Funding

In program year 2023, DOE allocated \$403,527 to MaineHousing for WRF. Because the fund is a subsidiary of WAP, the entirety of the allocated funds are intended for direct program expenses. The 2023 program year ends on March 31, 2024, and the full amount of the fund is expected to be exhausted by that time.

Supplemental funding was allocated in 2023 through MaineHousing's Home Accessibility & Repair Program (HARP) to supplement WRF. However, due to misalignment between the program years and program requirements, only a portion of these funds (approximately \$200,000) were able to be allocated before the remaining funds had to be reallocated prior to the end of the HARP program year. The limited success of this source of new funding highlights the importance of sufficient

flexibility for different funding sources to be woven together. The only viable alternative is very careful alignment of program requirements to facilitate integration.

## Program Administration

Since WRF is a subsidiary of WAP, the administration is simply integrated into the WAP ranking waitlist and selection process. Instead of immediately deferring projects for which it is currently impractical to proceed with weatherization, the provider assesses whether the impediments can be addressed within the \$15,000 spending cap for WRF. If so, then they may proceed with contracting services to provide those improvements. If not, the project is deferred. It is notable that although roof repair and roof replacement are eligible WRF expenses, roof issues remains the modal reason for deferral in 2023. This would be due to the estimated expense of the roofing work itself, or combined with additional necessary work, exceeding the available funds.

### C. HOW THE WAP AND WRF PROGRAMS WORK TOGETHER: A SUCCESS STORY

These programs often can work in concert to provide a dramatic improvement in a low-income person's residence. Consider the actual experience of "Client X", a disabled 57-year-old male who owns a 1,976 square foot manufactured home in Freedom, Maine. His monthly income is roughly \$1,300. Prior to services provided by Waldo Community Action Partners, Client X's annual fuel consumption was 354 gallons of kerosene (the most expensive form of heating fuel) and 16,600 kWh of electricity. After an initial assessment, he received services from the Weatherization Readiness Fund (WRF) and the Weatherization Assistance Program (WAP), as well as MaineHousing's Heat Pump Program (HPP) and Central Heating Improvement Program (CHIP).

Weatherization Readiness funds eliminated several health and safety issues that would normally have resulted in a deferral. These included replacing a condemned furnace, which had a hole in its fire box and a cracked heat exchanger through which exhaust gas was circulating throughout the home; and fixing a leak in the roof that had caused the ceiling to fail in the kitchen and living room portion of the home.

After these repairs were completed, the home was fully weatherized and the client now has a central heating appliance that is no longer circulating exhaust gases in his home. His home is now less drafty, and heated air is retained longer in his living space. Beyond the energy-saving impacts of greatly improved insulation and a more efficient furnace, the client's fuel consumption has been even further lowered with the installation of the heat pump.

The projected savings for this project were calculated to be 40.81 MMBtu per year, and taken together this work will provide a lifetime savings of 771.30 MMBtu. To put that in perspective, this means Client X's fuel consumption has dropped from 354 gallons to 79 gallons, a reduction of 78%, and while the new heat pump means that his electricity bill will be higher, his overall energy use for one year has dropped by around a third. This client is now able to make his fixed income go further and is less anxious about heat insecurity during the cold winter months in Maine.

This example shows how, in many cases, homes that are otherwise eligible for and in great need of a whole series of program benefits may first require a modest investment in home repairs. Hence the great value of weatherization readiness. As in the case of Client X, the lifetime benefits in terms of direct energy costs alone can be quite dramatic, but those financial benefits to the client are only

most obvious of the total social benefits. The DOE estimates that when reductions in out-of-pocket medical expenses and days of sick leave are included, each \$1 spent on weatherization (as proscribed in their program) results in \$2.80 in social benefits. Furthermore, reducing energy expenditure, as well as changing household energy mix, contributes to Maine's progress towards its stated climate goals. In the example above, the improvements to the client's home should result in an annual reduction of roughly 2.8 metric tons of carbon, or a calculated 56 metric tons of carbon over the life of the project.

## **PART II: BARRIERS TO DELIVERY**

The WAP and WRF programs have been successful, but their impact has in some cases been reduced due to several identified barriers to program delivery

### Program Costs

The primary barrier to weatherization is cost. The Code of Federal Registration 440.18 dictates an average Department of Energy cost per dwelling unit, which is the average cost that MaineHousing must not exceed in per unit weatherization expenses billed to the DOE. To account for price inflation, each program year the average cost is increased by the lesser of: (1) the percentage increase in the consumer price index for the most recent calendar year completed before the beginning of the program year, or (2) three percent. The 2023 program year average cost per dwelling unit for DOE funding was set at \$8,250. The 2023 YTD costs of actual WAP projects average out to approximately \$19,000 per unit when elements such as the energy audit and program distribution costs are factored in. This means that DOE funds can cover less than half of the program costs. Although the DOE funds have fallen below actual costs for many years now, that shortfall has rapidly expanded in recent years due to historic inflation, supply chain issues, and other macroeconomic factors.

The gap between DOE average cost limits and project costs has historically been funded with resources from the Home Energy Assistance Program (HEAP). However, as noted in the program descriptions, increasing demand for direct heating assistance and emergency heating assistance has led to decreasing availability of those funds for weatherization purposes. In program year 2023, Maine saw a significant increase in qualified HEAP applicants and exhausted its available HEAP funding months before the scheduled end of the program year. Without a source of leverage funding, it is not clear that there are any weatherization projects that could be funded under the current DOE program requirements. Luckily, 2023 HEAP funds had already been set aside for this purpose. However, HEAP cannot be relied upon as the stable weatherization resource that it has been historically since direct support is the primary purpose of the fund, and the increased demand for that support will necessarily decrease availability.

Another source of leverage funding has been (and will continue to be) the Housing Opportunities for Maine (HOME) Fund, which supports home repair for low-income households. This fund, however, has entered a period of contraction as Real Estate Transfer Tax receipts are down and carry-overs from prior years have been exhausted.

## Alternative Funding and Program Restrictions

With HEAP funding becoming a less available option to leverage DOE funds, it has become necessary to explore other areas of support. In addition to the annual funding from the Department of Energy for the Weatherization Assistance Program, MaineHousing received a \$35,000,000 grant in 2022 from the Bipartisan Infrastructure Law (BIL). This provides for a 5-year grant performance period in which Maine was allocated an additional \$25,758,760 for weatherization production. The BIL statute says the funds will be available until expended – despite the 5-year grant period. This is a welcome source of funding, but it does not resolve the DOE WAP shortfall.

The issue in this case is very direct: the two funding sources may not be combined in the same home. Federal law prohibits any two sources of federal funds being used for the same purpose, which in this case would be to weatherize the same home. This forecloses the possibility of leveraging DOE funds with BIL funds. Furthermore, the BIL funds are difficult to use for weatherization without being leveraged as well. When the law was passed in 2022, the per-unit average was capped at \$8,009 with no adjustments for rising costs. In Maine's BIL State Plan, it was estimated the BIL funds would result in an additional 1,628 homes weatherized. However, just as with the slightly higher DOE maximum, effectively no WAP project can be fully funded at that per-unit average cost.

## WRF Program Continuity

One of the DOE program requirements for weatherization readiness is that it must result in completion of a WAP project. This would seem obvious. However, no matter how thorough the assessment, an energy audit cannot reveal all issues that a dwelling unit may have, or the full extent of some issues that are identified. As such, this requirement creates a new risk factor for the CAA that is administering the program. If a contractor is hired to complete a job and in the course of that work discovers additional issues that must be addressed in order for the home to be eligible for WAP, program requirements and spending caps are liable to make completion impossible. If WAP is not completed, then the WRF expenses can no longer be billed to DOE and the CAA may find themselves on the hook for the expense. The rational response to this risk is for the CAAs to be extra cautious about engaging WRF projects in homes where they expect a higher risk of additional necessary measures being discovered mid-project, or with estimated expenses that are already near the WRF spending limit. MaineHousing has worked to create additional guidance to minimize this risk, but CAAs often remain hesitant to move forward unless they are certain the job will result in a completed unit.

## Program Alignment

A final barrier that we have seen arose from the two different WRF funding sources (DOE and HARP), for which HARP required that available DOE funds be expended prior to using HARP funds. MaineHousing allocated HARP funds on 1/1/2023, but the DOE allocation of \$403,527 was not available until 4/1/2023. The HARP funds are only available until 12/31/2023; whereas the DOE funds are available until 3/31/2024. The CAAs were unable to effectively manage project timing to expend the DOE money fast enough to fully access the HARP funds. This could also have been a combination of project management and capacity issues (CAA staffing, contractor capacity, etc.) because there was limited lead time to prepare for the new source of funding.

### PART III: STATEWIDE NEED

#### Housing Need

Maine has the eighth-oldest housing stock in America. The state contains 746,793 houses, with houses built before 1939 representing 24% (177,985) of the housing, and houses built between 1940 and 1979 representing 32% (242,691) of the housing stock<sup>3</sup>. Put another way, half of the houses in our state were built before 1980. While a lack of available housing overall and a lack of affordable housing specifically have been the subject of considerable research and discussion in recent years, less attention has focused on the inherent problems of older housing, and the need to keep that housing in service.

Owner-occupied homes represented 73% of all Maine's homes in 2021, a high share relative to the housing stock of the United States as a whole, which was 65% owner-occupied in 2021. Of those owner-occupied homes, close to 87% were single-family homes (on par with the United States owner-occupied stock, which is 89% single-family). Notably, mobile homes, an affordable homeownership option, made up 9% of the owner-occupied stock.

There is greater diversity in Maine's renter-occupied housing stock, with low-density 2-9 unit buildings providing about 20% of the rental options in the state, and 10-49 unit buildings providing about 10% of rental options. The rental stock has a high representation of single-family homes, however, with single-family homes making up 61% of rental homes, close to twice the single-family share of the United States rental stock (33%)<sup>4</sup>.

Weatherization programs offered by MaineHousing have been aimed at single-family residences, reflecting regulations of the agencies that fund this work. Recent funding received through the BIL will allow MaineHousing to, in coming years, expand weatherization in multifamily houses, though those are generally outside of the scope of this report.

#### Program Need

Annually the application data from the most recent HEAP program year imports into the weatherization software. The program year 2023 data imported in 37,894 applications into the system of record. Of those applications, 35,582 have an eligible WAP rank. Eligible WAP rank means they have not been previously deferred, or previously weatherized. 70% of current applicants have a WAP rank of 15 or higher (20 being the maximum points assigned).

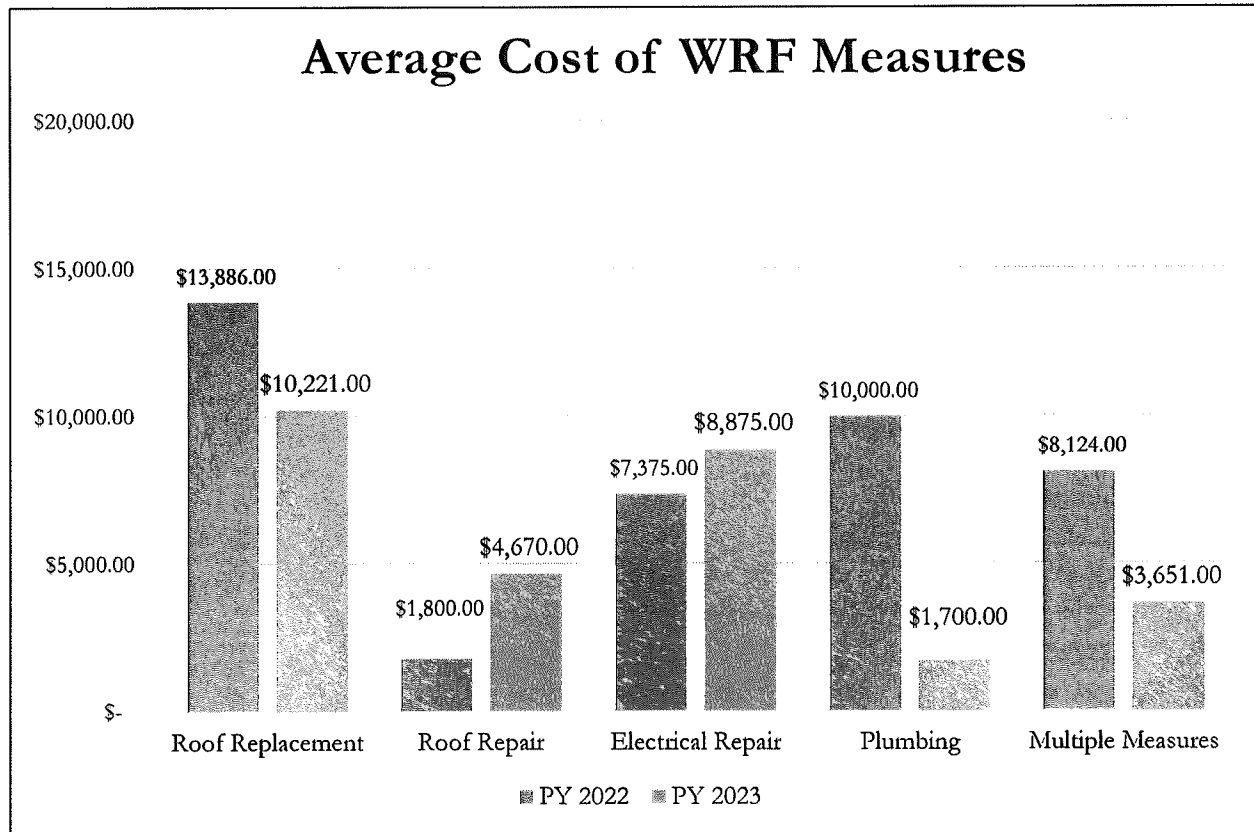
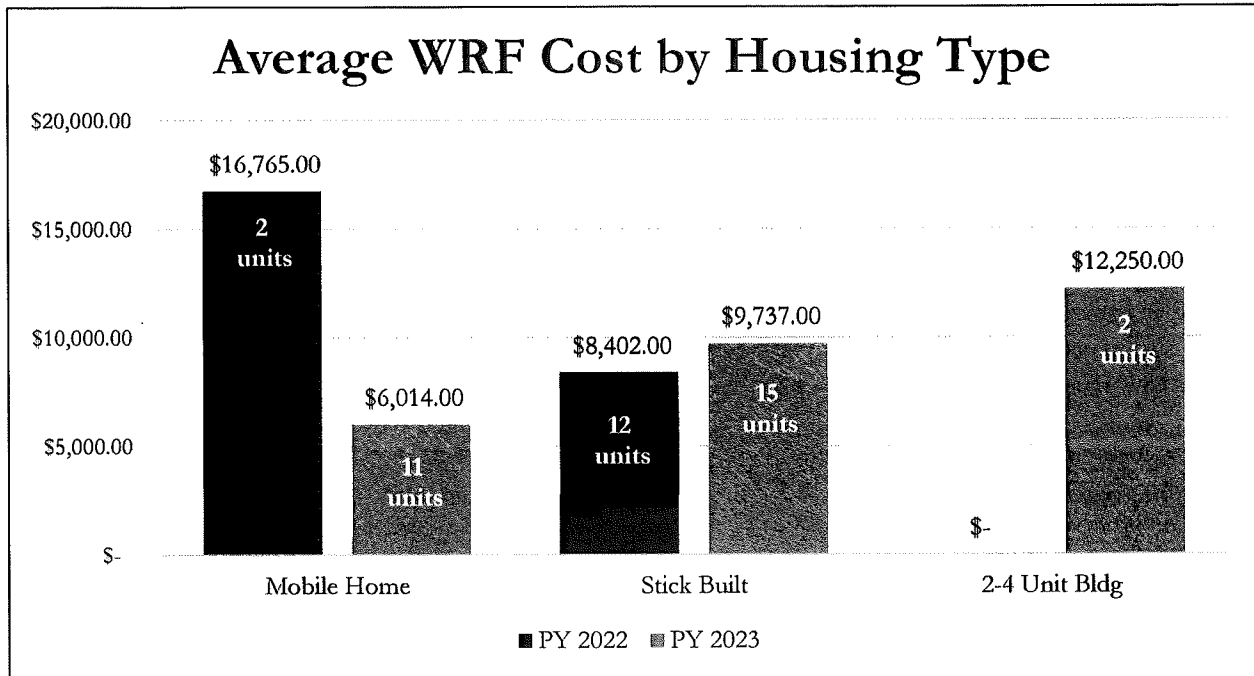
To put this another way, these are all households that will benefit significantly from weatherization. Prior experience has shown that almost half of these applicants will likely require repairs at a level that could result in a deferral, so the need for both weatherization and weatherization readiness is significant.

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<sup>3</sup> U.S. Census Quickfacts (v2022) and American Community Survey 2021, 5-year sample.

<sup>4</sup> The State of Maine Housing Production Needs Study, October 2023.





## **PART IV: PROPOSED PROGRAM SOLUTION**

### **PROGRAM PROPOSAL: WEATHERIZATION PLUS - COMPREHENSIVE WEATHERIZATION AND WEATHERIZATION READINESS FUNDING.**

As noted earlier, MaineHousing is proposing a program for one-time or ongoing state level resources that can be braided with existing federal weatherization funds, thereby creating a continuum of home improvement services all aimed at the same goal: making homes warm, safe and dry and maintaining them as functional, safe, efficient housing units into the future. Every time a unit of neglected and inadequate housing stock goes “offline”, Maine’s affordable housing shortage gets worse. This program could help stop that from happening.

We therefore propose a “weatherization-plus” fund, to serve as a comprehensive resource to fill in across the weatherization readiness/weatherization spectrum as needed to maximize the use of federal funding while also providing funds, where appropriate, to cure or avoid deferrals and undertake weatherization in the first place. This includes curing of deferrals through weatherization readiness measures that were not included in the reason for deferral, which are not eligible under the DOE weatherization readiness program. Every house and every project are different, and the intent of this fund is to be sufficiently flexible enough to recognize and accommodate that variation.

Funds could be used to apply to weatherization readiness to make those houses whose condition precludes weatherization ready to be weatherized, to weatherization funds themselves, that can be matched with U.S. DOE weatherization program resources at a level to create a per-unit budget that could provide a realistic level of funding to complete the work on a given home.

We propose the following parameters for such a program:

#### **Program Eligibility:**

- Household must be income eligible for the Weatherization Assistance Program (WAP). WAP eligible household income up to 200% or less of the Federal Poverty Level. This is consistent with the income eligibility requirements for HEAP.
- The dwelling must be occupied by an income-eligible household.

#### **Program Benefits:**

- Help eligible low-income households with necessary repairs to allow energy conservation measures in their homes either through making the homes ready to weatherize or by providing the funding needed to complete weatherization.
- Leverage Federal Funding.
- Reduce energy consumption for low-income households.
- Reduce the number of WAP deferrals.

**Funding Source:** State Appropriation.

**Funding Request:** \$4,000,000.00 (funding for a program like this is scalable. A \$4,000,000 allocation could be used over multiple years).

**Program Limitations:**

- Funding limited to eligible owner occupied stationary manufactured home or single-family stick built house.
- We recommend setting a maximum grant of \$20,000 per project. State funds would only be applied in situations where they can leverage federal weatherization funding, or in situations where weatherization readiness projects (paired where possible with federal WRF funds) can make a home ready to be weatherized.
- Projects utilizing this program for weatherization readiness must include a substantiated expectation of the home being weatherized.

**Market Need:** In 2022, MaineHousing's HEAT Enterprise System (the system of record) currently shows 5,099 deferred properties. Properties on the deferral list would be prioritized for this source of funding.

**APPENDIX: LD 611, CHAPTERED LAW****Resolve, Establishing a Working Group to Maximize Eligibility for Energy Efficiency Programs for Low-income Homeowners****STATE OF MAINE****IN THE YEAR OF OUR LORD  
TWO THOUSAND TWENTY-THREE****H.P. 388 - L.D. 611****Resolve, Establishing a Working Group to Maximize Eligibility for Energy Efficiency Programs for Low-income Homeowners**

**Sec. 1. Maine State Housing Authority to convene a working group to maximize eligibility for energy efficiency programs for low-income homeowners. Resolved:** That the Maine State Housing Authority shall convene a working group to design a program that will provide financial assistance to low-income homeowners for weatherization and other repairs needed to meet the eligibility requirements for home energy assistance programs. The working group must include input from community action agencies as designated under the Maine Revised Statutes, Title 22, section 5324, the Office of Policy Innovation and the Future, one or more professional contractors who make weatherization repairs and other entities as considered appropriate by the Maine State Housing Authority.

**Sec. 2. Report. Resolved:** That by December 1, 2023, the working group under section 1 shall submit a report to the Joint Select Committee on Housing proposing a program to provide financial assistance to low-income homeowners for weatherization and other repairs needed to meet eligibility requirements for home energy assistance programs. When developing the proposal for a program, the working group must ensure that it includes a provision to evaluate if the amount of financial assistance necessary for weatherization or repair is reasonable relative to the anticipated benefit from the home energy assistance program and if the overall suitability of the home makes the weatherization or repair a worthwhile investment. The proposal must be designed to serve residential housing units with household incomes up to 100% of the area median income and serve as a complement to, not a substitute for, weatherization assistance paid for using federal funds, including the Housing Opportunities for Maine Fund within the Maine State Housing Authority.