

**“Weatherization in Minnesota Compared to Other States”**

**Testimony of  
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Chair: Rep. Jamie Long (61B)  
Vice Chair: Rep. Patty Acomb (44B)

Thank you Chair Long and members of the committee for the opportunity to testify before you this morning. My name is Gabriel Chan and I'm joined here by my colleague Elise Harrington. We are professors at the University of Minnesota's Humphrey School of Public Affairs. And we appear today in our own personal capacities and not on behalf of the University of Minnesota.

As we will detail, we studied weatherization programs in states across the country, speaking to program implementers and state energy offices that have enacted significant expansions in their weatherization programs. Our research points to three findings of how states approached cost-effectively expanding weatherization that we believe are important for Minnesota to consider: first, directing state resources that are **stable**; second, directing state resources that are **flexible**, and third, enabling weatherization programs to act **strategically**.

### 1. Why did we conduct a study on weatherization in other states?

We completed a landscape analysis of weatherization funding reports and implementation plans across Minnesota and 20 comparable states<sup>1</sup> and conducted a comparative case study analysis drawn from interviews with weatherization program offices and implementers in six states.<sup>2</sup>

The purpose of our research was to examine how other states are leveraging federal weatherization funding with other programs, utilizing new sources of capital for weatherization, and addressing barriers to expanding the reach of services provided by weatherization. Drawing from this research, we will provide a picture of Minnesota's weatherization funding in comparison to selected other states.

### 2. What is the Weatherization Assistance Program?

Since 1976, the Weatherization Assistance Program (WAP) has provided free home energy upgrades to income-eligible households to save energy and ensure their home is a healthy and safe place to live.<sup>3,4</sup> The Department of Energy estimates that nationally, the average weatherized home saves \$280 per year in energy costs, with every dollar invested in weatherization returning \$1.72 in energy-related benefits and \$2.78 in non-energy benefits (through, for example, economic growth and reduced environmental impacts).<sup>5</sup> However, many

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<sup>1</sup> Our broad landscape analysis included Minnesota and the eleven other states in the Midwest census region, six northeastern states, and three western states: IL, IA, IN, KS, MI, MO, NE, ND, OH, SD, WI, CT, MA, NJ, NY, PA, VT, CO, OR, WA.

<sup>2</sup> Our detailed case studies included WI, VT, OH, NY, CO, WA.

<sup>3</sup> Households in Minnesota are eligible for weatherization if they earn up to 200% of the Federal Poverty Level (or \$65,228 in 2021 for a family of four) or are otherwise qualified through LIHEAP or Social Security. See MN Dept. of Commerce. 2022. [Weatherization Assistance Program](#).

<sup>4</sup> The Department of Health and Human Services allows for a 15% transfer of LIHEAP funds to WAP, with a transfer of up to 25% with an approved waiver. See Sophie Mariam (NASCS). n.d. [LIHEAP and WAP: A Dynamic Duo for Reducing the Low-Income Energy Burden](#).

<sup>5</sup> See U.S. Dept. of Energy. 2021. [Weatherization Assistance Program](#).

families in Minnesota that are income-eligible for weatherization will not receive the benefits of weatherization without considerable increases in resources and capacity.<sup>6</sup>

### **3. What has Minnesota's Weatherization program accomplished?**

In Program Year 2019, Minnesota weatherized 1,907 residences using \$20.5 million in funding. Based only on program operations costs, in 2019, Minnesota had an average cost of \$7,658 per weatherized unit.<sup>7</sup>

Over 99% of the weatherization funds administered by the Minnesota Department of Commerce come from the federal government. In 2019, more than half of these federal funds came from the U.S. Department of Energy, with the remainder primarily from a transfer of funds from the Department of Health and Human Services' Low Income Home Energy Assistance Program (LIHEAP). Many of Minnesota's weatherization implementers also leverage utility funds from the Conservation Improvement Program's low-income spending requirement, which is set to increase following the passage of the Energy Conservation and Optimization (ECO) Act of 2021.<sup>8</sup>

### **4. How do other states supplement federal weatherization funds?**

In our research, we found that many states reported challenges due to DOE's verification requirements for weatherization funding and many have gradually increased non-federal funding to supplement DOE funds.<sup>9</sup> Overall, we found examples of different approaches to raising additional non-federal funds for weatherization.

Several states direct funds to weatherization from a utility rate surcharge, sometimes as a flexible "system benefit charge." For example, Wisconsin's system benefit charge funded over \$50 million in weatherization in 2019.<sup>10</sup> Or, in New York, a system benefit charge funds the New York State Energy Research and Development Authority (NYSERDA) to offer free energy efficiency and community solar subscriptions to income-qualified customers, and it has given NYSERDA flexibility to pilot new integrations of weatherization with health.<sup>11</sup>

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<sup>6</sup> At current funding levels, it will take 291 years to weatherize all eligible homes in Minnesota. See MN Dept. of Commerce. 2020. [Minnesota's Low-Income Weatherization Assistance Program](#).

<sup>7</sup> See MN Dept. of Commerce. 2020. [Weatherization Approved State Plan, Program Year 2019](#).

<sup>8</sup> [Minnesota Energy Conservation and Optimization Act of 2021](#).

<sup>9</sup> The Department of Energy's weatherization funds include audit requirements designed to ensure that federal funds are made in investments that can demonstrate energy savings greater than the investments made. However, many states reported the challenges created by DOE requirements that precluded them from taking steps to improve the health and wellness of the houses their weatherization crews worked with if those measures wouldn't also generate energy cost savings.

<sup>10</sup> All residential customers in Wisconsin pay a fee of up to \$3.15 per month that is used for low-income weatherization. See LIHEAP Clearinghouse. 2020. [State PBF/USF History, Legislation, Implementation: Wisconsin](#).

<sup>11</sup> See LIHEAP Clearinghouse. 2016. [State PBF/USF History, Legislation, Implementation: New York](#). <https://liheappm.ncat.org/dereg/states/nyork.htm>; NYSERDA. 2022. [EmPower New York](#).

Some states direct levies on specific economic activities to fund weatherization. For example, Colorado has historically directed funds from a severance tax on the extraction of minerals and fossil fuels, which funded \$2 million in weatherization in 2019.<sup>12</sup> As another example, Vermont directs funding from a fuel tax, which funded \$7 million in weatherization in 2019.

## 5. What approaches enable states to effectively increase funding for weatherization?

We identified innovative policies and administrative practices that states developed as they expanded the impact of their weatherization programs. Additional details on each case and findings related to implementation practices are included in our report, but here we focus on three findings most directly related to legislative approaches that have increased the effectiveness of expanded weatherization funding.

### **Finding #1: Stability**

**Our first finding is funding stability.** Non-federal funds can help provide funding stability to reduce the ups and downs of federal funds and allow implementers to scale-up their capacity to strategically address priority areas.

Based on state experiences with sustainably increasing funding we found that, to the extent feasible, expanding available funds for weatherization should emphasize **stable funding sources to enable program managers and implementers to ramp-up and maintain expanded programs.**

Department of Energy funds can be used for select health and safety measures, but we found that states add more flexible, non-DOE funds for weatherization to ensure they are able to maximize the benefits provided to each household.

The federal increase in funding from the American Recovery and Reinvestment Act (ARRA) was mentioned by nearly every state, with most reporting substantial increases in homes weatherized during this period. ARRA offered significant funding increases from 2009-2012, but funding levels were not sustained. States described that weatherization implementing agencies had to lay off staff following ARRA, which made subsequent efforts to hire new staff more difficult and resulted in a loss of capacity as trained staff could not be sustained after funding declined.

### **Finding #2: Flexibility**

**Our second finding is funding flexibility.** States reported using **flexible funding specifically to address the causes of deferrals to serve the households most in need of weatherization services.**

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<sup>12</sup> See Colorado General Assembly Legislative Council Staff. n.d. [Severance Tax](#) (note, recent legislation in Colorado will replace the severance tax for weatherization with revenue from a utility fee). See Colorado [H.B.21-1105](#).

Flexible non-federal funds can fund “pre-weatherization” activities that address the non-energy related building improvements necessary before implementing energy-saving measures.<sup>13</sup> Further, flexible non-federal funding can enable weatherization implementers to deliver non-energy benefits that can be cost-effectively delivered to low-income households in conjunction with weatherization services.

States spoke about the challenges of having to forgo providing service to potential customers who live in houses with underlying issues, such as vermiculite and mold. These households would benefit significantly from weatherization services but cannot be served due to non-energy-related conditions in the household. We found that as a part of expanding available funds for weatherization, states are positioned to allocate flexible funds specifically to address deferrals, including avoiding future deferrals and returning to previously deferred homes.

This is what Vermont found in their program and they started an effort to address homes that would have been deferred because of vermiculite, which represented a priority equity issue in the state. The flexibility to address vermiculite-based deferrals was possible in large part due to availability of non-federal funding, typically comprising about 85% of the state’s total funding.

### **Finding #3: Strategic**

**Our third finding is strategic use of funding**, which is enabled when non-federal funding creates stability and flexibility. Implementing weatherization requires planning over many years to build administrative and workforce capacity. Efforts to expand weatherization are most cost-effective when funding is committed strategically over multiple years to enable program administrators to build up the capacity they need.

We found that establishing strategic, longer-term goals allowed for states to **align direct investments in households with the build up of both administrative capacity and the workforce required to support an expanded weatherization program.**

For example, stable and flexible non-federal funds enabled New York to act strategically to pilot weatherization with Medicaid’s value-based payment system. The impetus to seek opportunities to combine weatherization and health was established by an executive order to incorporate health into investments and program planning across the state. This established a strategic goal that encouraged new collaborations across agencies in the state. From this, New York initiated a pilot to simultaneously address asthma precursors, home comfort and safety, medical bills, and energy bills in 500 homes. Implementing a weatherization-Medicaid integration required

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<sup>13</sup> If a household is not able to be served by the Weatherization Assistance Program, that household is deferred. Minnesota had a deferral rate of 47 percent in Program Year 2019. A large number of deferrals diminishes the goal of weatherization to serve those with the greatest need for energy efficiency savings as homes with conditions that are cause for a deferral may also be those with a higher energy burden. Further, deferrals mean that funds allocated for weatherization are spent to audit households that do not receive weatherization services.

complex, strategic collaboration between state agencies over two years, which was only possible with stable and flexible non-federal funding directed by an overarching goal.

## **6. What are the implementation considerations for scaling weatherization?**

In addition to considerations specifically related to stable funding increases, funding flexibility, and strategic funding alignment with long-term goals, our case studies identified key lessons related to multifamily weatherization and workforce development. For multifamily weatherization, states such as Colorado and Vermont emphasized building specialized agencies or workforce capacity to address multifamily homes given the differences between weatherizing multifamily homes compared to single family homes.

With respect to broader workforce considerations, all states included in our study described limitations in their ability to offer competitive wages and working conditions. Building a weatherization workforce will require not only new sources of stable and flexible funding, but collaborative efforts to provide training and garner new interest in weatherization.

Finally, all of our case studies refer to potential administrative burdens as barriers to rapidly scaling up weatherization programs. This includes complying with DOE performance metrics, but also the challenges of linking, or “braiding,” multiple funding streams that may have different goals, metrics, and in some cases, data-management practices. Other states suggested that any expansion of weatherization funds should include practices that aim to reduce the administrative burdens on implementers, contractors, and program managers.

Each of these examples demonstrates ways that states are actively expanding their weatherization programs with new sources of funding to reach more households with more services that provide energy savings, plus health and safety benefits.

Please find more information on each of our findings detailed in our research report available as a part of the Department of Commerce’s Weatherization Working Group report.<sup>14</sup>

Thank you, and we would welcome your questions.

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<sup>14</sup> See Gabriel Chan, Elise Harrington, and Jacqueline Berger. 2022. [Scaling Weatherization in Minnesota: Opportunities and Challenges from a Landscape Analysis and Case Study Analysis](#).