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REPORT
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ENERGY-EFFICIENT MANUFACTURED HOUSING ACT

SEPTEMBER 27, 2010.—Ordered to be printed

Mr. BINGAMAN, from the Committee on Energy and Natural Resources, submitted the following

R E P O R T

[To accompany S. 1320]

The Committee on Energy and Natural Resources, to which was referred the bill (S. 1320) to provide assistance to owners of manufactured homes constructed before January 1, 1976, to purchase Energy Star-qualified manufactured homes, having considered the same, reports favorably thereon with an amendment and an amendment to the title and recommends that the bill, as amended, do pass.

The amendments are as follows:

1. Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Energy-Efficient Manufactured Housing Act of 2010".

SEC. 2. ENERGY-EFFICIENT MANUFACTURED HOMES.

(a) DEFINITIONS.—In this section:

(1) DATED MANUFACTURED HOME.—The term "dated manufactured home" means a manufactured home constructed before January 1, 1976.

(2) ENERGY STAR-QUALIFIED MANUFACTURED HOME.—

(A) IN GENERAL.—The term "Energy Star-qualified manufactured home" means a manufactured home that has been designed, produced, and installed in accordance with Energy Star guidelines by an Energy Star-certified entity.

(B) INCLUSION.—The term "Energy Star-qualified manufactured home" includes single-and multi-section manufactured homes.

(3) MANUFACTURED HOME.—The term "manufactured home" has the meaning given the term in section 603 of the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5402).

(4) SECRETARY.—The term "Secretary" means the Secretary of Energy.

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(b) PURPOSE.—The purpose of this section is to assist low-income households residing in dated manufactured homes to save energy and energy expenditures by providing support toward the purchase of new Energy Star-qualified manufactured homes.

(c) GRANTS TO STATE AGENCIES.—

(1) IN GENERAL.—The Secretary may provide grants under this section to—

(A) the State agency responsible for developing State energy conservation plans under section 362 of the Energy Policy and Conservation Act (42 U.S.C. 6322) in each State; or

(B) such other State agency carrying out a similar activity as the Governor of the State may designate.

(2) REQUIREMENTS.—

(A) PRIORITY.—In providing grants under this section, the Secretary shall give priority to States that, as determined by the Secretary—

(i) have a high percentage of dated manufactured homes relative to the existing manufactured housing stock of the State;

(ii) would experience substantial energy gains and returns on investment on replacement of dated manufactured homes;

(iii) have a high percentage of counties with fewer than 6 residents per square mile;

(iv) have the infrastructure or planned infrastructure necessary to replace dated manufactured homes in the State; or

(v) act in partnership with providers of affordable lending products that enable buyers to build wealth.

(B) FAILURE BY STATES TO ACT.—If a State agency fails to use any portion of grant provided under this subsection during the 1-year period beginning on the date of receipt of the grant—

(i) the unused amount of the grant shall revert to the Secretary; and

(ii) the Secretary may distribute the amount to any individual or entity on a first-come, first-served basis.

(3) USE OF FUNDS.—A State agency shall use a grant provided under paragraph (1) to provide to owners of dated manufactured homes in the State in accordance with paragraph (4)—

(A) grants or loans to use toward the purchase of new Energy Star-qualified manufactured homes in the State; and

(B) rebates or grants for the decommission of dated manufactured homes.

(4) REBATES, GRANTS, AND LOANS.—

(A) AMOUNT.—

(i) GRANT OR LOAN.—Subject to clause (iii), the amount of a grant or loan provided to an owner by a State agency under this subsection shall not exceed, for a single manufactured home, $7,500 of the amount provided to the State agency pursuant to this subsection.

(ii) DECOMMISSION ASSISTANCE.—Subject to clause (iii), the amount of decommission assistance rebate or grant provided to an owner by a State agency under this subsection shall not exceed, for a single manufactured home, $2,500 of the amount provided to the State agency pursuant to this subsection.

(iii) USE OF STATE FUNDS.—A State agency may supplement the amount of a rebate, grant, or loan provided under this subsection using State or other funds (including private donations and grants or loans) by such amount as the State agency determines to be appropriate.

(B) PRIMARY RESIDENCE REQUIREMENT.—A rebate, grant, or loan under this subsection may be made only to an owner of a dated manufactured home that has been used as the primary residence of the owner on a year-round basis for at least the 12 previous months.

(C) DESTRUCTION AND REPLACEMENT.—

(i) IN GENERAL.—A grant or loan under this subsection may be made only if the applicable dated manufactured home will be—

(I) destroyed (including appropriate recycling); and

(II) replaced, in an appropriate area (as determined by the applicable State agency), with an Energy Star-qualified manufactured home.

(ii) VERIFICATION.—The Secretary shall establish such third-party verification requirements as are necessary to ensure that the requirements of clause (i) are met.

(D) SINGLE GRANT OR LOAN.—A grant or loan under this subsection may not be provided to any owner of a dated manufactured home that was or is a member of a household for which any member of the household was provided a grant or loan pursuant to this subsection.

(E) DECOMMISSION REBATE OR GRANT.—A decommission rebate or grant under this subsection may be made only if—

(i) the applicable dated manufactured home will be destroyed (including appropriate recycling);

(ii) proof of decommission is shown before the rebate or grant funds are paid; and

(iii) no member of the applicable household was provided a grant or loan pursuant to this subsection.

(F) ELIGIBLE HOUSEHOLDS.—To be eligible to receive a rebate, grant, or loan under this subsection, an owner of a dated manufactured home shall demonstrate to the applicable State agency that the total income of all members of the household of the owner does not exceed the greater of, as determined by the Secretary—

(i) 200 percent of the most recent annual Federal Poverty Income Guidelines published by the Department of Health and Human Services; or

(ii) 80 percent of the area median income in the applicable area, as determined by the Secretary.

(G) ELIGIBLE FINANCING.—

(i) IN GENERAL.—As a condition on receipt of a grant or loan under this subsection, a homeowner shall

(I) assume a mortgage or personal property loan that maximizes the ability of the homeowner to stay in the new manufactured home, minimize default, and build equity; and

(II)(aa) own the land on which the manufactured home is sited; or

(bb) have a land-lease on the land on which the manufactured home is sited of not less than the longer of 10 years or the length of the mortgage term.

(ii) OTHER LEASES.—A homeowner shall be considered to have satisfied clause (i)(II)(bb) if the homeowner has—

(I) a lease from a community land trust or nonprofit housing corporation; or

(II) a proprietary lease (perpetual or renewable as a matter of right) by a cooperative or homeowner association that is owned or controlled by the homeowners.

(5) SIMILAR PROGRAMS.—

(A) STATE PROGRAMS.—Subjeet to the limitation described in paragraph (4)(A), a State agency conducting a program the purpose of which is to replace dated manufactured homes with Energy Star-qualified manufactured homes may use the amounts provided under this subsection to support the program.

(B) FEDERAL PROGRAMS.—

(i) IN GENERAL.—The Secretary shall seek to achieve the purpose of this section through similar Federal programs, including the American Recovery and Reinvestment Act of 2009 (Public Law 111–5; 123 Stat. 115).

(ii) CONFORMING AMENDMENTS.—Section 407 of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5; 123 Stat. 145) is amended by adding at the end the following:

"(f) ENERGY-EFFICIENT MANUFACTURED HOMES.—Notwithstanding any restrictions in part A of title IV of the Energy Conservation and Production Act (42 U.S.C. 6861 et seq.), any amount made available under this Act for the Weatherization Assistance Program for Low-Income Persons established under part A of title IV of the Energy Conservation and Production Act (42 U.S.C. 6861 et seq.) may be used for the replacement of pre-1976 substandard manufactured homes with Energy Star-qualified manufactured homes under the Energy-Efficient Manufactured Housing Act of 2010.".

(6) ADMINISTRATION.—

(A) CONTROLS AND PROCEDURES.—

(i) IN GENERAL.—Each State agency that receives funding under this subsection shall establish such fiscal controls and accounting procedures as are sufficient, as determined by the Secretary, to ensure proper accounting for disbursements made from the funds and fund balances.

(ii) REQUIREMENT.—The controls and procedures established under clause (i) shall conform to generally accepted Federal accounting principles, as determined by the Secretary.

(B) COORDINATION WITH OTHER STATE AGENCIES.—A State agency that receives funding under this subsection may coordinate efforts and share funds for administration with other State agencies involved in low-income housing programs.

(C) ADMINISTRATIVE EXPENSES.—A State agency may use not more than 10 percent of the funds provided to the State agency under this subsection for administrative expenses of the agency or nonprofit organizations in carrying out a program under this subsection.

(d) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There are authorized to be appropriated to the Secretary such sums as are necessary to carry out this section.

(2) ADMINISTRATIVE EXPENSES.—Of the amounts available for each fiscal year to carry out this section, the Secretary may use not more than 5 percent to pay administrative expenses.

2. Amend the title so as to read: "To provide assistance to owners of substandard manufactured homes constructed before January 1, 1976, to purchase Energy Star-qualified manufactured homes.".

PURPOSE

The purpose of S. 1320 is to provide assistance to owners of manufactured homes constructed before January 1, 1976, to purchase Energy Star-qualified manufactured homes.

BACKGROUND AND NEED

More than two million families live in mobile homes that were built before the 1976 effective date of the federal code regulating the construction of manufactured homes. These pre-code, substandard mobile homes are not energy efficient, burdening their owners with high energy bills.

Manufactured housing is now an affordable, attractive, and safe option for many households. However, a number of pre-1976 mobile homes are subject to serious health and safety concerns; they cannot be retrofitted to improve energy efficiency; and they have outlived their useful lives.

On the basis of income, many pre–1976 mobile homeowners would qualify for the federal Weatherization Assistance Program. Of those homeowners with incomes of less than 200 percent of the federal poverty established by the Department of Health and Human Services, the current income ceiling for the Weatherization Assistance Program, approximately 1.6 million reside in pre-1979 manufactured housing. Many of these homes are past their useful life and have high energy bills due to leaky roofs and windows, old appliances, or other structural problems. Therefore, it is usually not cost effective to weatherize these homes under the Weatherization Assistance Program or transfer funds available for weatherization under the Low Income Home Energy Assistance Program (LIHEAP).

Regulations currently restrict energy assistance programs such as the Low Income Home Weatherization program and LIHEAP from replacing substandard mobile homes. Weatherization programs can choose to make efficiency improvements to these homes but since the homes are past their useful life, improvements cannot address the underlying problem of inadequate housing. As a result, owners of pre-1976 homes are excluded from federal energy efficiency improvement programs. In addition, these homeowners are ineligible for housing assistance as they are already homeowners.

In order to address this gap in coverage, S. 1320 authorizes the Secretary to establish a grant program administered by the State Energy offices to encourage the owners of pre–1976 substandard mobile homes to replace their homes with new energy efficient manufactured homes that meet the Manufactured Homes Construction and Safety Standards established by the Department of Housing and Urban Development in 1976 (part 3280 of title 24, Code of Federal Regulations, commonly known as the HUD Code) and Energy Star standards. Replacing pre-1976 homes with new, high quality Energy Star manufactured homes will generate energy savings averaging $1620 per year for the homeowner. The bill also provides lending to help finance the replacement homes.

LEGISLATIVE HISTORY

S. 1320 was introduced by Senator Tester on June 22, 2009. The Committee on Energy and Natural Resources held a hearing on the bill on March 11, 2010. S. Hrg. 111–422. The Committee considered the bill and adopted an amendment in the nature of a substitute at its business meeting on July 21, 2010, and ordered the bill favorably reported, as amended, at its business meeting on August 5, 2010.

Similar legislation, H.R. 1749, has been introduced in the House of Representatives, where it was jointly referred to the Committee on Energy and Commerce and the Committee on Financial Services. Similar legislation was also included as title II of the Home Star Energy Retrofit Act of 2010, H.R. 5019, which was reported by the House Committee on Energy and Commerce, H. Rept. 111–469, and passed the House of Representatives on May 6, 2010.

COMMITTEE RECOMMENDATION

The Committee on Energy and Natural Resources, in open business session on August 5, 2010, by voice vote of a quorum present, recommends that the Senate pass S. 1320, if amended as described herein.

COMMITTEE AMENDMENT

During its consideration of S. 1320, the Committee adopted an amendment in the nature of a substitute and an amendment to the title. The amendment in the nature of a substitute:

(1) Replaces the bill's original allocation formula with a requirement that the Secretary of Energy give priority to 5 categories of States in making grants under the bill;

(2) Provides that if a State agency fails to use any portion of a grant within one year, the unused amount reverts to the Secretary for redistribution on a first-come, first-served basis;

(3) Expands the use of grant funds to allow State agencies to use grants to provide owners of dated manufactured homes with grants or loans to use toward the purchase of new Energy Star-qualifed manufactured homes and rebates or grants to decommission dated manufactured homes;

(4) Limits the amount of a grant or loan for the purchase of a single manufactured home to $7,500, and for a rebate or grant for decommissioning assistance for a single manufactured home to $2,500;

(5) Adds third-party verification requirements to ensure that grants or loans are made only if the applicable dated manufactured home will be destroyed and replaced by an Energy Star-qualified manufactured home;

(6) Modifies the income-eligibility test for rebates, grants, or loans to allow rebates, grants, or loans to be made to households in which the combined income of all members of the household does not exceed the greater of 200 percent of the Federal Poverty Income Guidelines or 80 percent of the area median income;

(7) Adds new conditions on the receipt of a grant or loan;

(8) Permits funds made available for low-income weatherization assistance under the American Recovery and Reinvestment Act of 2009 to be used to replace pre-1976 substandard manufactured homes with Energy Star-qualified manufactured homes; and

(9) Makes additional clarifying and conforming amendments.

SECTION-BY-SECTION ANALYSIS

Section 1 provides a short title.

Section 2 establishes authorizes the Secretary of Energy to provide grants to State energy agencies to provide grants, loans, and rebates to owners of dated manufactured homes to assist them in replacing dated manufactured homes with Energy Star-qualified manufactured homes.

Subsection (a) defines key terms used in the bill.

Subsection (b) states the purpose of the bill.

Subsection (c) establishes the grant program. Paragraph (1) authorizes the Secretary of Energy to provide grants to State agencies for carrying out the program.

Paragraph (2)(A) requires the Secretary to give priority to States that: have a high percentage of dated manufactured homes relative to the existing manufactured housing stock of the State; would experience substantial energy gains and returns on investment on replacement of the dated manufactured homes; have a high percentage of counties with fewer than 6 residents per mile; have or have planned infrastructure necessary to replace the dated manufactured homes; or act in partnership with providers of affordable lending products that enable buyers to build wealth.

Paragraph (2)(B) provides that, if a State does not act within the 1-year period beginning on the date of receipt of the grant, the unused amount will revert to the Secretary, who may distribute it to any individual or agency on a first-come, first-served basis.

Paragraph (3) provides that a State agency may use a grant provided under paragraph (1) to provide owners of dated manufactured homes grants or loans to use toward the purchase of new Energy Star-qualified manufactured homes and rebates or grants for the decommissioning of dated manufactured homes.

Paragraph (4)(A) limits the amount of a grant or loan for the purchase of a single manufactured home to $7,500, and the amount of a rebate or grant for the deommissioning of a single manufactured home to $2,500. Clause (iii) of paragraph (4)(A) permits State agencies to supplement amount of a grant, loan, or rebate under the program with State or other funds (such as private donations and grants or loans) as the State finds appropriate.

Paragraph (4)(B) requires that the owner of a manufactured home seeking a rebate, grant, or loan, must use the home as the primary residence of the owner on a year-round basis for at least 12 previous months.

Paragraph (4)(C) requires that a grant or loan be made only if the applicable manufactured home will be destroyed (including appropriate recycling) and replaced with an Energy Star qualified manufactured home. Clause (ii) of paragraph (4)(C) requires the Secretary to establish third-party verification requirements to ensure the requirements of paragraph (4)(C) are met.

Paragraph (4)(D) permits a State agency to make only one grant or loan under the program per household.

Paragraph (4)(E) provides that a decommission rebate or grant may only be made if the appliacable dated manufactured home will be destroyed; proof of decommission is shown before the rebate or grant funds are paid; and no member of the household was provided another grant or loan under the program.

Paragraph (4)(F) provides eligibility requirements based on income.

Paragraph (4)(G) lists requirements for eligible financing.

Paragraph (5)(A) allows States to use funds from this program for similar programs that are run on the state level.

Paragraph (5)(B) directs the Secretary to seek to achieve the purpose of this section through similar Federal programs, including the American Recovery and Reinvestment Act of 2009. Clause (ii) of paragraph (5)(B) makes a conforming amendment to the American Recovery and Reinvestment Act to permits funds made available for low-income weatherization assistance under that Act to be used to replace pre-1976 substandard manufactured homes with Energy Star-qualified manufactured homes.

Paragraph (6) lists administrative requirements, such as proper fiscal controls and accounting procedures. Subparagraph (C) prohibits a Sate agency from using more than 10 percent of the funds provided under subsection (c) for administrative expenses.

Subsection (d)(1) authorizes such sums as are necessary to carry out the section.

Subsection (d)(2) provides that the Secretary may not use more than 5 percent for administrative expenses.

COST AND BUDGETARY CONSIDERATIONS

The following estimate of costs of this measure has been provided by the Congressional Budget Office.

S. 1320—Energy-Efficient Manufactured Housing Act of 2010

Summary: S. 1320 would authorize appropriations for grants to states to provide financial incentives to owners of older manufactured homes to replace those homes with more energy-efficient homes. Assuming appropriation of the necessary amounts, CBO estimates that implementing S. 1320 would cost $2.2 billion over the 2011–2015 period. Enacting S. 1320 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

S. 1320 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

Estimated cost to the Federal Government: The estimated budgetary impact of S. 1320 is shown in the following table. The costs of this legislation fall within budget function 270 (energy).

	By fiscal year in millions of dollars—					
	2011	2012	2013	2014	2015	2011–2015
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	500	500	500	500	500	2,500
Estimated Outlays	150	450	525	525	500	2,150

Basis of estimate: S. 1320 would authorize the appropriation of whatever sums are necessary for the Department of Energy (DOE) to make grants to states to provide financial incentives to individuals to replace certain manufactured homes constructed prior to 1976 with newer, more energy-efficient models. States would use those grants to make grants or loans of up to $7,500 to eligible owners of older manufactured homes to use toward the purchase of new Energy Star-qualified manufactured homes. (According to information from the manufactured housing industry, the average cost of an Energy-Star qualified home is between $60,000 and $65,000.) An eligible owner also could qualify for an additional grant or loan from the state of up to $2,500 to defray the costs of disposing of the old home. Assistance under S. 1320 would only be available to individuals who occupy their homes as full-time residences and whose incomes do not exceed certain thresholds specified in the bill.

According to data from the American Housing Survey, nearly 3 million of the 8.8 million manufactured homes in the United States were built before 1976. Based on data from that survey, CBO estimates that approximately 60 percent of those homes are occupied by owners as primary residences. Based on information from the manufactured housing industry, CBO estimates that roughly 80 percent of such owners would meet the bill's income-related criteria to qualify for federal assistance under S. 1320. Providing federal assistance to replace all eligible manufactured homes would cost around $14 billion.

However, given the size of the current market for new manufactured homes, CBO estimates that federal spending would be far less than that amount. According to the American Housing Survey, an average of about 100,000 manufactured homes was sold per year over the 2005–2009 period. For this estimate, CBO assumes that the number of manufactured homes sold each year remains at the average level observed over the past five years and that states elect to provide financial assistance primarily in the form of grants or rebates to individuals. Taking into account the bill's eligibility criteria related to owner occupancy and income, CBO estimates that about half of the total number of homes sold each year under S. 1320 would be purchased by individuals who seek and qualify for financial assistance. Based on those assumptions, CBO estimates that implementing the bill would require appropriations of $2.5 billion over the 2011–2015 period. Based on historical spending patterns for similar DOE programs that provide financial incentives to replace energy-inefficient items with more efficient ones, we estimate that resulting federal spending would total $2.2 billion over the 2011–2015 period.

Pay-as-you-go considerations: None.

Intergovernmental and private-sector impact: S. 1320 contains no intergovernmental or private-sector mandates as defined in UMRA. State, local, and tribal governments would benefit from grants authorized in the bill. Any costs to those governments would be incurred voluntarily as a condition of federal assistance.

Estimate prepared by: Federal Costs: Megan Carroll; Impact on State, Local, and Tribal Governments: Ryan Miller; Impact on the Private Sector: Amy Petz.

Estimate approved by: Theresa Gullo, Deputy Assistant Director for Budget Analysis.

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact which would be incurred in carrying out S. 1320.

The bill is not a regulatory measure in the sense of imposing Government established standards or significant economic responsibilities on private individuals and businesses. It is a grant program, which provides grants to State agencies for them to provide grants, loans, and rebates to assist low-income households residing in dated manufactured homes.

Some personal information will need to be collected and some additional paperwork will be required to ensure that funds made available under the program are properly used and that households receiving the funds are qualified to receive them. The Committee does not expect these information requirements to have a substantial impact on personal privacy or the paperwork burden to be substantial.

CONGRESSIONALLY DIRECTED SPENDING

S. 1320, as ordered reported, does not contain any congressionally directed spending items, limited tax benefits, or limited tariff benefits as defined in rule XLIV of the Standing Rules of the Senate.

EXECUTIVE COMMUNICATIONS

The Committee requested the views of the Department of Energy on S. 1320 at its hearing on energy efficient buildings legislation on March 11, 2009. The testimony of the Department of Energy at that hearing follows.

STATEMENT OF CATHY ZOI, ASSISTANT SECRETARY FOR ENERGY EFFICIENCY AND RENEWABLE ENERGY, DEPARTMENT OF ENERGY

Good morning Chairman Bingaman, Ranking Member Murkowski, and distinguished members of the Committee. Thank you for the opportunity to appear before you today. I consider it an honor to lead the Administration's efforts to advance and deploy energy efficiency and renewable energy solutions at this historic time. As this Committee knows, we are in a moment of time that poses great challenges and opportunities in the energy field. I am excited about the opportunity to harness ideas and innovation to ensure our economic security, national security, and environmental security. Despite challenges, I am optimistic about the future and in particular about the areas where the Administration and Congress can work together to meet the Nation's energy challenges.

With tremendous support from Congress, both through the American Recovery and Reinvestment Act of 2009 (Recovery Act) and annual appropriations, we are transforming the clean energy landscape in the United States. In the Office of Energy Efficiency and Renewable Energy (EERE) alone, we are investing more than $16 billion in Recovery Act funding toward projects ranging from geothermal demonstrations in Alaska, New Mexico, and Utah to electric drive component manufacturing in Fargo, North Dakota, to large wind turbine blade testing in Boston, and the development of biorefineries in Ohio, Oregon, and elsewhere, and much more. These programs are creating jobs with investments in 56 states and U.S. Territories to encourage deployment of a full range of renewable energy sources and energy savings measures. In addition, EERE has provided support to the Department of the Treasury for $2.3 billion of grants in lieu of tax credits for projects that are expected to deploy more than 4 gigawatts of renewable energy, and another $2.3 billion in tax credits to domestic manufacturers of clean energy products.

In addition to investing in renewable technologies, EERE is engaging in a full court press on energy efficiency. As Secretary Chu is fond of saying, energy efficiency isn't just low-hanging fruit; it's fruit lying on the ground. By reducing our energy consumption, we can create and support clean energy jobs, reduce our reliance on foreign sources of energy and reduce greenhouse gas (GHG) emissions while saving money on the energy bills of everyday Americans.

HOME ENERGY RETROFITS

As you know, one of the best opportunities for energy efficiency is right in our own homes. Home energy retrofits can be a win-win-win. Consumers can win by cutting their utility bills and saving money, while getting a healthier, more comfortable living space for their families. Communities, employers, and employees can win by creating good jobs in the retrofit industry and at manufacturers that produce energy efficiency products, spurring the local economy and putting people back to work. The Nation can win by creating jobs, reducing our reliance on energy from foreign sources, reducing our carbon emissions, and slowing the effects of climate change.

There are approximately 130 million homes in the United States. These homes account for about 33 percent of the Nation's total electricity demand[1] and consume approximately 22 percent of the Nation's energy[2] while generating 21 percent of the Nation's overall carbon footprint.[3] Roughly half of these homes were built before 1973, long before modem residential building codes came into effect.[4] With so many older homes, and with advances in building technologies, there is a tremendous opportunity to upgrade home energy efficiency by insulating; caulking; improving heating, ventilation, and air conditioning equipment (HVAC); tightening the building envelope; and adding other energy efficiency improvements. Existing techniques and technologies can reduce energy use by up to 40 percent per home and reduce associated GHG emissions by up to 160 million metric tons by 2020.[5]

This vast potential for savings can be tapped only with a strong, well-trained American work force. The overall construction sector currently faces a 27.1 percent unemployment rate.[6] Insulation-blowing trucks are standing idle, and many construction workers are anxious to find ways to apply their skills to new jobs. At the same time, Americans are paying over $200 billion per year in energy costs—money that could pay for housing, tuition, or other basic necessities.[7] As the President has said, if you saw $20 bills flying out your window, you would try to grab them. So let's try to make it easier for American families to prevent their hard-earned cash from flying out the doors, windows, and ceilings of inefficient homes.

CHALLENGES

To realize job creation, energy savings, and environmental benefits, making energy retrofits must be easier for homeowners. Three key barriers prevent Americans from taking advantage of cost-effective retrofits to their homes: difficulty finding information about which retrofit upgrades are best for their home; difficulty covering the up front cost of these investments; and difficulty finding knowledgeable, skilled workers.[8]

These three barriers were outlined in the *Recovery Through Retrofit* strategy document released by Vice President Biden's Middle Class Task Force. In close collaboration with other agencies, DOE is pursuing a comprehensive approach to address these three barriers, which includes:

[1] Percentage derived from figures in the *Annual Energy Review.* Energy Information Administration. http://www.eia.doe.gov/aer/txt/ptb0201a.html. February 2010.
[2] Percentage derived from figures in the *Annual Energy Review.* Energy Information Administration. http://www.eia.doe.gov/aer/txt/ptb0201a.html. February 2010.
[3] Pew Center on Global Climate Change. *Climate Change 101: Technological Solutions.* January 2009.
[4] Energy Information Administration. *Residential Energy Consumption Survey 2005: Home Energy Uses and Costs.* http://www.eia.doe.gov/emeu/recs/
[5] President's Middle Class Task Force and Council on Environmental Quality. *Recovery Through Retrofit* report. October 2009.
[6] United States Bureau of Labor Statistics. *Industries at a Glance: Construction: NAICS23.* March 5, 2010. http://www.bls.gov/iag/tgs/iag23.htm
[7] Energy Information Administration. *Residential Energy Consumption Survey 2005: Home Energy Uses and Costs.* http://www.eia.doe.gov/emeu/recs/recs2005/c&e/summary/pdf/tableus5.pdf.
[8] McKinsey & Company. *Unlocking Energy Efficiency in the U.S. Economy.* July 2009.

- The creation of a home energy performance labeling system in collaboration with the *Recovery Through Retrofit* to provide consumers with building energy information;
- The expansion of rebate programs and appropriate financing mechanisms to provide homeowners with access to affordable mechanisms to cover the up front cost of energy efficiency improvements; and
- The establishment of voluntary national standards for retrofit workforce training and certification to help protect consumers.

DEPARTMENTAL RETROFIT SUPPORT

The inter-agency *Recovery Through Retrofit* initiative, coordinated by the President's Council on Environmental Quality, seeks to lay the groundwork for a self-sustaining home energy efficiency retrofit industry. Additionally, the Department actively supports home energy retrofits in other ways, including a new Retrofit Ramp-Up program and the ongoing Weatherization Assistance and State Energy Programs.

The Retrofit Ramp-Up program, the competitive portion of the Energy Efficiency and Conservation Block Grant program funded through the Recovery Act, could deliver important energy and monetary savings to communities that win awards. However, its greatest impact may be in demonstrating sustainable, replicable business models that other communities across the Nation can copy so that they can also drive job creation and energy savings in their own areas. The lessons learned from these projects—both successes and challenges—could enable the rest of the Nation to ramp up its energy efficiency efforts, fundamentally transforming the way the U.S. consumes energy.

DOE will soon award up to $390 million of Recovery Act funds for this program, targeting whole-neighborhood building retrofits. The Department's goal is to fund projects demonstrating models for providing cost-effective energy upgrades for a large percentage of the residential, commercial, and public buildings in communities. EERE received a large volume of excellent proposals, far more than we will be able to fund. There is no shortage of good ideas or enthusiasm, and we hope to leverage the Recovery through Retrofit experience into a long term model where communities can sustain the efforts to retrofit whole blocks at a time.

The Weatherization Assistance Program is currently retrofitting thousands of homes each month, utilizing $5 billion of Recovery Act funds and $210 million from Fiscal Year 2010 appropriations. This program primarily reaches low-income families, the elderly and the disabled, helping those with significant financial need save money on their energy bills.

Some states are using portions of the $3.1 billion in Recovery Act funds allocated to the State Energy Program to create revolving loans funds that finance the deployment of energy efficiency technologies and support long lasting job creation.

CURRENT PROPOSALS

During the State of the Union, the President called on Congress to pass a program of incentives for homeowners who make energy efficiency investments in their homes. Last week, the President outlined more details of a new “HOMESTAR” program that would help create jobs by encouraging American families to invest in energy saving home improvements.

Key components of the HOMESTAR Program include:

- Rebates delivered directly to consumers: Like the Cash for Clunkers program, consumers would be eligible for direct HOMESTAR rebates at the point of sale for a variety of energy-saving investments in their homes. A broad array of vendors, from small independent building material dealers, large national home improvement chains, energy efficiency installation professionals and utilities (including rural utilities) would market the rebates, provide them directly to consumers and then be reimbursed by the Federal Government. The rebates would also be marketed by the Environmental Protection Agency and trade associations whose member contractors participate in the program.
- $1,000–$1,500 Silver Star Rebates: Consumers looking to have simple upgrades performed in their homes would be eligible for 50% rebates up to $1,000–$1,500 for doing any of a straightforward set of upgrades, including: insulation, duct sealing, water heaters, HVAC units, windows and doors. Under Silver Star, consumers can chose a combination of upgrades for rebates up to a maximum of $3,000 per home. Rebates would be limited to the most energy efficient categories of upgrades—focusing on products made primarily in the United States and installed by certified contractors.
- $3000 Gold Star Rebates: Consumers interested in more comprehensive energy retrofits would be eligible for a $3,000 rebate for a whole home energy audit and subsequent retrofit tailored to achieve a 20% energy savings in their homes. Consumers could receive additional rebate amounts up to $8,000 for energy savings in excess of 20%. Gold Star would build on existing whole home retrofit programs, like the Environmental Protection Agency’s successful Home Performance with Energy Star program.
- Oversight to Ensure Quality Installations: The program would require that contractors be certified to perform efficiency installations. Independent quality assurance providers would conduct field inspections after work is completed to ensure proper installation so consumers receive energy savings from their upgrades.
- Support for financing: The program would include support to State governments to provide financing options for consumers seeking to make efficiency investments in their

homes. This will help ensure that consumers can afford to make these investments.

The program may result in the creation of tens of thousands of jobs while achieving substantial reductions in energy use—up to the equivalent of the entire output of three 500 megawatt coal-fired power plants each year. Consumers in the program are anticipated to save between $200–$500 per year in energy costs, while improving the comfort and value of their homes.

I am sincerely grateful to the members of this Committee and other Senators who have been working tirelessly on efforts to create legislative language that is consistent with the President's vision. I believe they have done a tremendous job turning a concept into language, and I have the utmost admiration for them and their staffs. As the legislative process moves forward, we will continue to work with the Committee on this bill until it is enacted.

I am happy to answer any questions members of this Committee may have regarding the proposal or how the Department would administer such a program were it to be signed into law.

Additionally, I understand that a panel later today will also examine S. 3079, Senator Merkley's "Building Star" bill, and S. 1320, a bill introduced by Senator Tester for homes built before 1976. As I mentioned earlier in my testimony, both commercial buildings and older homes are major challenges in terms of energy efficiency, and I salute these Senators for their efforts to find solutions. While I plan to focus on the Home Star proposal today, I am happy to provide feedback on these additional proposals for the record.

CONCLUSION

Retrofitting millions of American homes may truly transform energy consumption throughout the Nation. It may also put people to work in good, domestic jobs while saving Americans money and enabling significant contributions toward GHG emissions reduction targets. Public investments can lay the foundation for a vibrant private-sector led retrofit industry. Workers can get trained and certified, small contractors can grow their businesses, and millions can save money on their energy bills.

On October 19, 2009, Secretary Chu stated, "In the next several decades, I believe that energy efficiency is our most powerful tool for reducing our carbon emissions and reducing our energy bills." Home energy retrofits could be critical to realizing both of those goals, while supporting American job creation. I thank the Committee for its hard work on energy efficiency and specifically in crafting the legislative proposal being considered today. I sincerely hope I have the opportunity to implement this program soon with the aim of achieving our interconnected goals of creating good clean energy jobs, reducing our reliance on foreign sources of energy, and reducing our greenhouse gas emissions.

Thank you again for the opportunity to testify on this topic. I will gladly answer your questions.

CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill S. 1320, as ordered reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Public Law 111–5; 123 Stat. 115

AN ACT Making supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and State and local fiscal stabilization, for the fiscal year ending September 30, 2009, and for other purposes.

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DIVISION A—APPROPRIATION PROVISIONS

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TITLE IV—ENERGY AND WATER DEVELOPMENT

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DEPARTMENT OF ENERGY

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GENERAL PROVISIONS—THIS TITLE

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SEC. 407. WEATHERIZATION ASSISTANCE PROGRAM AMENDMENTS.

(a) INCOME LEVEL.—Section 412(7) of the Energy Conservation and Production Act (42 U.S.C. 6862(7)) is amended by striking "150 percent" both places it appears and inserting "200 percent".

(b) ASSISTANCE LEVEL PER DWELLING UNIT.—Section 415(c)(1) of the Energy Conservation and Production Act (42 U.S.C. 6865(c)(1)) is amended by striking "$2,500" and inserting "$6,500".

(c) EFFECTIVE USE OF FUNDS.—In providing funds made available by this Act for the Weatherization Assistance Program, the Secretary may encourage States to give priority to using such funds for the most cost-effective efficiency activities, which may include insulation of attics, if, in the Secretary's view, such use of funds would increase the effectiveness of the program.

(d) TRAINING AND TECHNICAL ASSISTANCE.—Section 416 of the Energy Conservation and Production Act (42 U.S.C. 6866) is amended by striking "10 percent" and inserting "up to 20 percent".

(e) ASSISTANCE FOR PREVIOUSLY WEATHERIZED DWELLING UNITS.—Section 415(c)(2) of the Energy Conservation and Production Act (42 U.S.C. 6865(c)(2)) is amended by striking “September 30, 1979” and inserting “September 30, 1994”.

(f) ENERGY-EFFICIENT MANUFACTURED HOMES.—Notwithstanding any restrictions in part A of title IV of the Energy Conservation and Production Act (42 U.S.C. 6861 et seq.), any amount made available under this Act for the Weatherization Assistance Program for Low-Income Persons established under part A of title IV of the Energy Conservation and Production Act (42 U.S.C. 6861 et seq.) may be used for the replacement of pre-1976 substandard manufactured homes with Energy Star-qualified manufactured homes under the Energy-Efficient Manufactured Housing Act of 2010.

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