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BUILD BACK BETTER — REBOOTING THE U.S. ECONOMY AFTER COVID-19

# Building Energy Efficiency and Energy Assistance: Creating Jobs and Providing Relief to States Across the Country

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## Summary

As Congress contemplates how to provide economic relief and create desperately needed employment opportunities for millions of Americans suffering as a result of the economic havoc spurred by the COVID-19 pandemic, lawmakers have the chance to ensure that we build back better, in ways that create millions of well-paying jobs, spur billions in economic growth, and advance a low-carbon economy. Research shows that smart climate action is not only good for but essential to economic growth.[1] These objectives must go hand in hand.

One way Congress could immediately create millions of good jobs and provide relief to families struggling to pay energy bills, while simultaneously advancing a cleaner economy, is to dramatically increase funding to state energy efficiency and assistance programs. Expanding these programs can support the long backlog of "shovel-ready" projects and put people to work immediately in well-paying jobs. This is a win-win strategy with the ability to provide relief to households struggling financially, put millions of people to work, decrease energy costs to households and public budgets for years to come, and make a substantial contribution to a clean energy future.

## Background

The COVID pandemic is already having an enormous impact on jobs in the building and construction sector, as well as on households struggling to pay energy and other bills.

The impact will be two-fold:

- The first is on the employment of building trade workers such as electricians, plumbers, and installation specialists for building energy systems, energy efficient appliances, and related technology. In recent weeks, building upgrade programs have halted in at least 19 states,[2] and most residential energy efficiency work has been suspended by utilities, states, service providers, and small businesses.[3] **In the first labor report since the pandemic, construction jobs posted a 29,000-job loss after a 12-month job gain of 211,000.**[4]
- For context, the last recession saw construction industries experience significant job losses, including residential building construction (262,000 jobs) and specialty trade contractors (945,000 jobs).[5]

In 2019, the energy efficiency sector posted nearly 2.4 million jobs across construction trades, manufacturing, and professional services—and was projected to grow 3 percent in 2020.[6] Instead, jobs losses here could be significant in 2020.

- The second impact is to households that are already struggling to pay their energy bills and now have lost their income and are enduring health risks from COVID-19. According to the U.S. Department of Energy, **37 million households suffer from energy insecurity, including over 60 percent of Native American households, 50 percent of Black households and 40 percent of Latinx households,**[7] **and rural areas exhibit a higher burden than urban areas.**[8] In addition to the financial hardship, households with energy insecurity also experience increased physical and emotional discomfort and despair, and may cope by forgoing food and medical expenses or taking on high-interest debt.[9]

## Recommendations for Congress

The COVID relief and recovery packages can address both problems together, helping shore up jobs and providing relief to households unable to pay their energy bills:

1. **Dramatically increase funding to the Low-Income Home Energy Assistance Program (LIHEAP).**

   In FY2018, LIHEAP was appropriated $3.6 billion to help cover heating and cooling expenses for more than 6 million households annually. Yet it is estimated that the program helps less than 20 percent of eligible households. The recent CARES Act added $900 million in COVID relief funding to LIHEAP, a level in line with 2009 Recovery Act funding that served over 8 million households at the peak.[10]

   Therefore, Congress should:

   - **Increase funding to $20 billion.** This would be in line with the estimated population in need and could deliver an average of $300 or more per household for heating and cooling expenses annually.
   - **Adjust the income eligibility requirements** from 150 percent to at least 200 percent of the federal poverty line. This will open access to a larger portion of the population to the benefits.
   - **Allow automatic eligibility** into LIHEAP for participants of other safety net programs, including Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), benefits under the Supplemental Nutrition Assistance Program (SNAP), or certain needs-tested veterans' programs.

2. **Dramatically increase funding to the DOE Weatherization Assistance Program (WAP).**

   The 2009 Recovery Act increased the WAP budget from $230 million annually to $5 billion over 3 years. In 2010 alone, WAP weatherized over 340,000 household units, directly and indirectly supported 28,000 jobs and increased national economic output by $4 billion. DOE estimated that these projects would save households 7,610,000 (MMBtu) in energy worth $3,190 per unit. They also reduced 7,382,000 metric tons of carbon emissions and 17,000 short tons of criteria pollutants.[11]

   Therefore Congress should:

   - **Increase WAP funding to $5 billion annually** to serve nearly a million homes each year, **supporting 70,000 jobs** and $10 billion in economic output.

- **Coordinate WAP to better target LIHEAP recipients.** This would lower the energy costs of households already receiving federal assistance and enable LIHEAP funds to reach more households, while making homes healthier, more comfortable, and more resilient.

- **Add authority for WAP to include electrification and renewable energy generation—** as proposed in the American Energy Innovation Act[12] and the Weatherization Enhancement and Local Energy Efficiency Investment and Accountability Act.[13]

3. **Increase grant funding to states to support upgrades of hospitals, schools, and public buildings to make these high-performance buildings, improve energy efficiency, improve indoor air quality, and establish renewable microgrids to achieve lower net emissions and increased resilience.**

The 2009 Recovery Act invested $3.1 billion into the **State Energy Program (SEP)**, supported more than 135,000 jobs, and resulted in $7.8 billion in lifetime energy savings, including nearly $2.5 billion for public institutional buildings.[14] The **Energy Efficiency & Conservation Block Grant (EECBG)** program received $2.7 billion in funding under the Recovery Act and created over 62,000 job-years of employment and $5.2 billion in energy bill savings.[15] The Recovery Act also provided $1 billion to HUD's **Community Development Block Grant (CDBG)** program for state and local governments to invest in public works, community facilities, and public services—typically as part of disaster recovery. The recent CARES Act appropriated $5 billion for CDBG as part of the COVID-19 response.[16]

Therefore, Congress should:

- **Increase state funding by $100 billion across SEP, EECBG, and CDBG** programs to support states to upgrade hospitals, public buildings, and schools and lower capital, operating, and maintenance costs that burden local budgets. These investments should be a part of comprehensive community facility and service upgrades that also address health and safety needs in critical buildings. Using the 2009 Recovery Act spending as a guide, this investment could support 2–4 million jobs across all 50 states and U.S. territories.

4. **Increase consumer incentives for appliance replacement, including the Nonbusiness Energy Property Credit and the State Energy Efficient Appliance Rebate Program.**

The current **Nonbusiness Energy Property Credit** (25C tax credit) offers homeowners a 10 percent tax credit on the purchase of energy efficient appliances or upgrades, up to a $500 lifetime cap. The 2009 Recovery Act increased the credit to 30 percent up to $1,500, which increased applications by 60 percent during 2009 and 2010.[17] The Recovery Act also added $300 million to the **State Energy Efficient Appliance Rebate Program**, resulting in 1.8 million appliance rebates between 2010 and 2012, leveraging $2 billion in consumer spending, saving consumers $875 million in water and energy costs and avoiding 3 million metric tons of emissions CO2.[18] New York State found that their rebate program created between 4.0 and 6.1 job-years per million dollars of Recovery Act spending.[19]

Therefore, Congress should:

- **Increase and extend the tax credit for energy efficiency appliances and upgrades** in terms of allowable percentage and lifetime cap, strengthening what is proposed in the Home Energy Savings Act (S. 2588/H.R.4506).

- **Add $8 billion to the State Energy Efficient Appliance Rebate Program**, as well as doubling the rebate for major appliances and HVAC equipment, and extending eligibility to be more technology-neutral, allowing for fuel switching and electrification. This level of funding could spur the replacement of 25 million appliances and support tens of thousands of jobs.

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## Endnotes


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