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February 14, 2022

Senator Delores G. Kelley, Chair  
Senate Finance Committee  
3 East Miller Senate Building  
Annapolis, Maryland 21401

Re: **SUPPORT** – SB524 – PUBLIC UTILITIES – ENERGY EFFICIENCY AND  
CONSERVATION PROGRAMS – ENERGY PERFORMANCE TARGETS AND  
LOW-INCOME HOUSING

Dear Chairman Kelley and Members of the Committee:

On behalf of the Green & Healthy Homes Initiative (GHHI), I offer this testimony in support of SB524. GHHI is a member of Energy Efficient Maryland and served recently on the New York State Climate Action Council Housing and Energy Efficiency Advisory Panel. In addition, I represent GHHI as a member of the EPA Children's Health Protection Advisory Committee, the Maryland Public Health Association Advisory Committee and the Maryland Lead Poisoning Prevention Commission. GHHI is dedicated to addressing the social determinants of health and advancing racial and health equity through the creation of healthy, safe and energy efficient homes. GHHI has been at the frontline of holistic healthy housing for over three decades.

Over its 30-year history, GHHI has developed the holistic energy efficiency, health and housing service delivery model that is implemented in our nationally recognized, Maryland-based direct service program. The model was adopted by the U.S. Department of Housing and Urban Development and is currently being advanced in partner jurisdictions nationally. In addition, GHHI helped to elevate Maryland as a national leader in healthy housing by helping reduce childhood lead poisoning by 99% in the state and helping design over 45 pieces of healthy housing legislation that became law in the State of Maryland and local jurisdictions. By delivering a standard of excellence, GHHI aims to eradicate the negative health impacts of unhealthy housing and unjust policies to ensure better health, economic, and social outcomes for children, seniors and families with an emphasis on black and brown low-income communities. GHHI's holistic intervention approach was recently cited by HUD as a model for effective coordination of federal healthy homes and weatherization programs and resources.

Through our own research and evidence-based practice, GHHI has found that a healthy and energy efficient home yields a multitude of energy and non-energy benefits for residents, particularly low-income residents who can benefit the most from such energy efficiency improvements in terms of economic mobility, housing stability and wealth retention over the long-term. We are deeply committed to advancing racial and health equity, economic mobility

and climate resiliency through efficiency standards for low-income housing, and thus write in support of SB524 which is a crucial lynchpin in the effort to advance energy equity and address home health for Maryland's low-income families and households.

### **What will SB524 Do?**

1. Establish a gross energy savings goal for Maryland for low-income housing of 0.40% starting in 2023 and increasing to 0.53%, 0.72% and 1.0% respectively in 2024, 2025 and 2026. This will result in greater EmPOWER weatherization resources being directed to low-income households in Maryland.
2. Set contract preferences for minority-owned, women-owned and veteran-owned contractors to increase their access to MDDHCD weatherization program contracts.
3. Enable DHCD to better leverage other federal and state housing resources. Effective braiding of federal resources with EmPOWER will both achieve savings targets and increase access to services to more comprehensively address other home-based environmental health hazards that may prevent energy efficiency upgrades.
4. Protects tenants from rent increases and eviction in properties benefitting from state weatherization program interventions.
5. Creates a Green and Healthy Task Force to develop a roadmap to increasing energy-efficiency in all low-income housing in the state by 2030, increasing holistic housing intervention programs and improving the health and safety of Maryland's housing stock.

### **Why is SB524 Needed?**

Maryland has a nation-leading 2-percent-per-year electricity consumption savings target enacted by the legislature in 2017. However, these savings, which translate to lower energy bills, are not distributed equitably across all Marylanders. Currently, low income customers are not proportionally receiving the benefits of EmPOWER. Maryland's utilities are responsible for achieving the 2% target but do not adequately serve all Marylanders. In Maryland, the Department of Housing and Community Development (DHCD) administers EmPOWER programs for all low-income households across the state while Maryland's Utilities primarily cover the non-low-income populations in their respective service territories. As a result, almost all the benefits of the 2% savings target accrue to non-low-income households. By comparison, DHCD is driving electricity consumption savings of about 0.15% in low-income households. Through SB524, we are righting this inequity – creating equal access to the benefits of energy efficiency upgrades for our most vulnerable and under-resourced residents. SB524 will also help address the deep inequity in funding allocations for DHCD and Utility programs. For FY19 for example, the Utilities requested over \$131 million dollars from EmPOWER, while DHCD requested just over \$20 million – all of which was projected to be spent in the BGE and Potomac Edison service territories. Both requests were approved by the Public Service Commission. In terms of spending, the Utilities spent just over \$110 million (about \$20 million less than they requested) and DHCD spent over \$25 million (\$5 million more than they requested). Despite spending less than they requested, the Utilities exceeded their 2% electricity savings target. This

data shows that demand for low-income programs through EmPOWER exceeds what the DHCD funding can currently support. In fact, at Maryland's current funding levels, it will take 130 years for state programs to provide energy efficient upgrades in all 450,000 low-income households. Since the Utilities have a savings target and DHCD does not, the PSC has opted to allocate a disproportionate amount of funding to the Utilities. SB524 would establish a savings target for DHCD which we believe will enable DHCD to request more resources from the EmPOWER funding pot. The Fiscal Note does not accurately estimate the cost of SB524. It does not account for the increase in DHCD funding from a larger allocation of EmPOWER funds that will be offset by a reduction in unused energy efficiency program funds for the utility programs. In addition, DHCD's increased weatherization interventions in low income properties will still contribute to the overall energy savings goals.

All ratepayers in Maryland pay an EmPOWER surcharge on their utility bills every month and it is important for low-income households to derive greater benefits from the energy efficiency programs funded through EmPOWER than they are currently receiving. Throughout Maryland, low-income residents face disproportionately higher utility bills. As a proportion of total income, low-income residents in the state of Maryland pay 550% more as a portion of income for energy than non-low-income residents in the state. Some low-income Marylanders devote such an extremely high share of their income to energy services that up to 42 cents out of every dollar is spent on energy bills (APRISE: Applied Public Policy Research Institute for Study and Evaluation, 2018). Every dollar that low-income residents allocate to costly utility bills is a dollar that cannot be used on other household essentials ranging from affording medical bills and school supplies to food (APRISE: Applied Public Policy Research Institute for Study and Evaluation, 2018). Approximately 55% of Maryland's low-income households include Asian, Hispanic or Black residents. These residents have less access to affordable, energy efficient and healthy homes (Lucy Laflamme, N.D.). These disparities persist across the state, characterized by energy inefficient homes and health hazards like lead-based paint, leaky roofs, poor indoor air quality and mold. These conditions often cause DHCD to defer energy efficiency service delivery until all health and safety hazards are addressed. Deferral technically means that the services will be delivered eventually but most deferred cases never get the upgrades because there are not sufficient resources to help low-income households address the hazards themselves. EmPOWER has a \$1,000 health and safety budget per unit that can be used to perform pre-energy efficiency hazard remediation, but in many cases, this budget is not large enough to address all health and safety issues.

In situations where a household is unable to receive building shell measures like insulation or air sealing because of health and safety hazards, DHCD may perform cosmetic energy efficiency upgrades. Cosmetic energy efficiency upgrades refer to LED/CFL light bulb replacement and low flow faucet and shower heads and typically don't have as significant an impact on energy consumption and occupant well-being. Achieving a 0.4% savings goal will require DHCD to perform deep energy upgrades in low-income households, which also means that there needs to

be a mechanism to address health and safety hazards to allow for deep energy upgrades. SB524 addresses this problem in several ways:

- SB524 encourages DHCD to leverage additional sources of available funding for energy efficiency and healthy housing. These sources include DOE Weatherization Assistance Program, HHS Low-income Heating and Energy Assistance Program, HUD Community Development Block Grant, Lead Hazard Reduction and Healthy Homes Programs, Maryland's Strategic Energy Investment Fund, and others. These funding sources can be leveraged to 1) address health hazards in substandard housing and 2) fund deeper energy efficiency retrofits such as building shell measures.
- SB524 also establishes a Green and Healthy Task Force, comprised of state agencies and other stakeholders, to develop a plan for how the state will improve the conditions and energy efficiency of all low-income housing in the state.
- In order to measure impact accurately, the Bill requires DHCD to develop, in partnership with stakeholders, an average lifetime measure threshold, which is a numerical value that characterizes the average lifetime savings accrued by measures that DHCD installs through their programs. The EmPOWER program currently uses an annual savings model to determine success of the program. The annual savings measure introduces an incentive for DHCD and the Utilities to invest in measures that have a high annual savings projection, which are typically cosmetic upgrades such as light bulb replacement, and not building shell measures such as insulation and air sealing. Building shell measures typically have a significant lifetime savings projection but do not typically have a high annual savings projection. To incentivize building shell measures, SB524 requires DHCD to develop an average lifetime savings threshold that is high enough to encourage building shell measures.

#### **Benefits of providing low-income households with energy efficiency upgrades**

Achieving a 0.4% energy savings goal will cost money. Still, benefits that accrue to low-income households and communities as well as the state of Maryland far outweigh the costs. A recent Gabel Associates report found that a 5-year ramp up to a 1% energy savings goal will provide over \$509.9 million in benefits to the state compared to \$377.5 million in total costs (net present value over the 5-year period). Energy efficiency and weatherization interventions provide not only energy benefits, related to reductions in energy usage and costs, but also non-energy benefits as well. Non-energy benefits are considered the overall socio-economic benefits that are derived from energy efficiency improvements, aside from energy savings. Studies have shown that energy efficiency and weatherization can improve housing conditions relating to thermal comfort, indoor air quality, pest management, and fire safety. In the Gabel Associates report, non-energy benefits accounted for over half of the total benefits.

Furthermore, household energy efficiency upgrades can spur community benefits such as economic growth, neighborhood revitalization, and resilience. These investments can help to support and stimulate the local economy by providing families and individuals with greater disposable income, which can help alleviate poverty and increase purchasing power while

generating more local jobs (Bell 2014; IEA 2014). One study found that between 9 and 13 gross jobs are generated per every \$1 million investment in weatherization. By targeting energy efficiency upgrades at low-income households with SB524, all Marylanders will benefit.

### **Energy Equity and Safer Housing**

As demonstrated by assorted research efforts, in the United States African Americans have the greatest likelihood of residing in older homes with compromised energy systems, aging or ineffective appliances and other assorted structural deficiencies, all of which contribute to making the home energy inefficient (Diana Hernández Yumiko Aratani Yang Jiang, 2014; Diana Hernández, Yang Jiang, Daniel Carrión, Douglas Phillips, and Yumiko Aratani, 2016). The often substandard state of such deprived households, specifically considering those in historically residentially segregated areas, typically contain assorted compromised components directly related to a home's energy inefficiency status. These include but are not limited to, inadequately sustained and inefficient ventilation (HVAC), cooling and heating systems, drafts or air leaks, and poor insulation (Ariel Drehobl and Lauren Ross, 2016; Diana Hernández and Douglas Phillips, 2015; Tony Gerard Reames, 2016; United States Census Bureau, 2015). These structural conditions, coupled with a household's inability to obtain energy – independent systems within higher quality homes, all contribute to increased costs for fundamental home utilities such as cooling and heating systems and lighting, through inefficient household energy usage (Jamal Lewis, Diana Hernández & Arline T. Geronimus, 2019).

Data demonstrates that African Americans are disproportionately subjected to trade-offs in expenditures, for instance choosing between paying energy expenses or food and medicine, with 28% of African Americans households reporting having waived food and medicine monthly in order to pay for energy, (James Berry, Independent Statistics & Analysis: U. S. Energy Information Administration, 2018). Investigatory research has revealed how challenges central to energy insecurity, including difficulties paying energy bills or experiencing reduced thermal comfort, are connected to raised stress levels, known to be damaging to long term health when chronically sustained (Arline T. Geronimus, 2000; Diana Hernández, 2016).

Energy efficiency upgrades further alleviate the ongoing long-term exposures to housing and household energy usage related stressors, known to damage health and well-being that disproportionality impact African American and low-income households. Information about accessing and utilizing energy efficiency efforts thus needs to be appropriately directed toward African American households, especially low-income households, to counteract the perpetuated cycle of housing and energy efficiency outcomes seen along racial energy savings lines (Hernández, 2016). As one in every five low-income households in Maryland are non-urban areas, both rural and urban state residents would benefit from a 0.4% low-income energy savings goal. (APRISE: Applied Public Policy Research Institute for Study and Evaluation, 2018). This savings effort would help realize enhanced energy equity for all low-income Maryland residents.

Healthy Housing Benefits – Through improved coordination of weatherization funding with other housing resources and increased federal funding for healthy housing interventions, clients participating in state energy efficiency programs will experience reduced deferral rates for weatherization programs and improved indoor air quality and home safety. These comprehensive interventions will benefit residents and the state through reductions in asthma related ED visits and hospitalizations, lead poisoning, household injury and radon and asbestos exposures.

**How Does Maryland Compare with Other States?**

Maryland would become a national leader by implementing an energy savings goal for low-income households. Other states already are recognizing the importance of serving more low-income households with energy efficiency. As a part of the Governor’s New Efficiency New York initiative, the New York Public Service Commission issued an order for all utilities to dedicate at least 20 percent of incremental funding to low- and moderate-income households (LMI). This LMI carve out represents \$253 million for the period of 2021-2025. The 2017 *Future Energy Jobs Act* passed in Illinois mandates that electric utilities realize yearly energy savings goals, while meeting a minimum spending level for low-income programs (EDF, 2018). Commonwealth Edison (ComEd), the largest electric utility in Illinois is required to spend a minimum of \$25 million per year to improve the energy efficiency of low-income ComEd households while reducing utility bills for these low-income customers (EDF 2018). California’s long-term energy efficiency strategic plan established a goal that by 2020, 100% of all eligible and willing customers will have experienced all cost-effective energy efficiency measures for low-income customers (California Public Utilities Commission, 2008).

Maryland falls behind other states in terms of low-income residents’ energy costs and energy savings. Across the US, low-income homes allocate 8% of annual incomes to household energy costs; in contrast Maryland’s low-income homes dedicate 13% of yearly household incomes to cover these utilities (APRISE: Applied Public Policy Research Institute for Study and Evaluation, 2018). At present funding levels in the state, it would take 130 years to finish energy efficiency improvements in all eligible 450,000 low-income households in the state (Lucy Laflamme N.D.). However, with a 0.4 % low-income savings goal in place, and with the intent of getting to a 1% goal in 2026, Maryland will be able to reach all eligible households much sooner with the goal of weatherizing all low-income homes by 2030. This Bill will focus our resources on the residents who will garner the greatest benefit from residential energy efficiency improvements. SB524 presents an opportunity to place Maryland in a position of national leadership in advancing racial, health and energy equity by meeting the critical energy needs of Maryland’s vulnerable families and seniors. We request a favorable report on SB524.

Respectfully Submitted,



Ruth Ann Norton  
President and CEO