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Senator Brian J. Feldman, Chair
Senate Education, Energy, and the Environment Committee
2 West Miller Senate Building
Annapolis, Maryland 21401

Re: **SUPPORT** – SB144 – PUBLIC UTILITIES – ENERGY EFFICIENCY AND
CONSERVATION PROGRAMS – ENERGY PERFORMANCE TARGETS AND
LOW-INCOME HOUSING

Dear Chairman Feldman and Members of the Committee:

On behalf of the Green & Healthy Homes Initiative (GHHI), I offer this testimony in support of SB144. 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, CDC Lead Exposure and Prevention Advisory Committee, Maryland Public Health Association Advisory Committee and as Chair of 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 49 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 SB144 which is a crucial lynchpin in the effort to advance energy equity and address home health for Maryland's low-income families and households.

Why is SB144 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. During the 2021-2023 EmPOWER program cycle, low-income utility customers contribute approximately \$48.76 million to EmPOWER each year but there is only an estimated average investment of \$28 million per year in low-income programs. This is \$20 million less per year than these households pay into the program (Future Programming Work Group Report, 2021-2023 EmPOWER Maryland Program). We strongly supported last year's version of this bill to address this problem, HB108/SB524, which passed the General Assembly with bipartisan support but were greatly disappointed that it was vetoed by the Governor.

The Maryland Department of Housing and Community Development (DHCD) administers EmPOWER programs for all low-income households across the state while Maryland's Utilities primarily oversee the program for non-low-income populations in their respective service territories. Despite all customers paying to fund the program, currently 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 SB144, we are righting this inequity. Setting a savings target goal for the low-income programs DHCD operates will create equitable access to the benefits of energy efficiency upgrades for our most vulnerable and under-resourced residents.

SB144 will address the deep inequity in funding allocations for DHCD and Utility programs. As noted above, in the current program cycle, EmPOWER investments in low-income homes are \$20 million less per year than these households pay into the program. In FY21 for example, the Utilities had approved budgets for residential programs of over \$137 million dollars from EmPOWER, while DHCD forecasted a budget just over \$15 million. Reported spending for the Utilities was just over \$100 million (about \$30 million less than requested) and DHCD spent over \$20 million (\$5 million more than requested). Despite spending under-budget, the Utilities exceeded their 2% electricity savings target, and total reported spending across all residential programs was \$25 million less than the forecasted budget. Prior years have had similar numbers.

Data shows that demand for low-income programs exceeds what the EmPOWER program funds DHCD to support. In fact, the EmPOWER program has only served an estimated 6% of eligible low-income participants from 2013–2020 (Apprise, Maryland Energy Affordability Study Final Report, 2022). At this rate, it would take over 100 years to reach every eligible low-income customer. By setting a goal specific to low-income programs and charging DHCD with taking a coordinated approach to investing program resources to low-income homes, SB144 will drive the investment of available resources more equitably. This will include EmPOWER funding and

federal funds such as the new Inflation Reduction Act and other state funds.

The current state of the program represents a missed opportunity to improve equity in the state by reducing household energy burdens and state-wide energy consumption. Throughout Maryland, low-income residents face disproportionately higher utility bills. 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. The average low-income Maryland resident has an energy bill that represents 13% of their total income (Apprise, 2018). By comparison, the statewide average is 2%. 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 (Apprise, 2018). Approximately 55% of Maryland's low-income households include Asian, Hispanic or Black residents - communities that have historically seen the lowest levels of investments, especially in their housing. SB144 centers equity by protecting tenants from rent increases and eviction in properties that benefit from state weatherization program interventions.

SB144 increases housing program effectiveness by charging DHCD with taking a more holistic approach to comprehensively meeting the needs in the state's housing stock. In addition to facing higher energy burdens, low-income homes have a higher prevalence of health hazards like lead-based paint, leaky roofs, poor indoor air quality and mold. 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 inadequate to address all health and safety issues. Under the current program structure, health and safety 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 many deferred cases never get the upgrades because clients do not access resources to help low-income households address the hazards themselves.

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. But this does not resolve the most significant issues in the home, and leaves unrealized opportunity for the deeper energy savings that would help achieve statewide targets. SB144 addresses this problem in several ways:

- SB144 encourages DHCD to leverage additional sources of available funding for energy efficiency and healthy housing. These sources include DOE WAP, HHS LIHEAP, HUD CDBG, HUD Lead Hazard Reduction and Healthy Homes Programs, Maryland's Strategic Energy Investment Fund, and others such as the Inflation Reduction Act. 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.
- SB144 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 can create 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, SB144 requires DHCD to develop an average lifetime savings threshold that is high enough to encourage building shell measures.

Finally, with last year's passage of the Climate Solutions Now, the State of Maryland has set clear and ambitious statewide goals for emissions reductions. According to the US Energy Information Administration, 31% of Maryland's energy consumption comes from the residential sector. The state will not be able to meet climate goals or properly serve the needs of low-income clients without the types of housing energy retrofits directed by SB144.

Benefits of providing low-income households with energy efficiency upgrades

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 help to support and stimulate the local economy by providing households 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. Energy efficiency also provides sustainable reductions in energy burden that can reduce state costs on bill assistance and related programs. By targeting energy efficiency upgrades at low-income households with SB144, all Marylanders will benefit.

Energy Equity and Safer Housing

As one in every five low-income households in Maryland are non-urban areas, both rural and urban state residents would benefit from the 1% low-income energy savings goal. (Apprise, 2018). This savings effort would help realize enhanced energy equity for all low-income Maryland residents. Enhancing energy equity has related benefits to health and well-being. 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 (Geronimus, 2000; Hernández, 2016).

As demonstrated by various research efforts, African Americans in the US 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 (Hernández, Aratani, and Jiang, 2014; Hernández, Jiang, Carrión, Phillips, and Aratani, 2016). The often-substandard state of these homes, specifically considering those in historically residentially segregated areas, typically directly relate to a home's energy inefficiency status. 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, (Berry, Independent Statistics & Analysis: U. S. Energy Information Administration, 2018).

Energy efficiency upgrades alleviate the ongoing long-term exposures to housing and household energy usage related stressors, known to damage health and well-being that disproportionately impact African American and low-income households. Information about accessing and utilizing energy efficiency programs needs to be appropriately directed towards these households to counteract the perpetuated cycle of housing and energy efficiency outcomes seen along racial energy savings lines (Hernández, 2016).

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.

Revising the Fiscal Note

The Fiscal Notes needs to be revised as it fails to properly account for all the dramatic increases in federal funding for weatherization and energy efficiency program services that the State is receiving. In addition, the Fiscal Note does not adequately account for the reallocation of existing EmPOWER funds that will occur under SB144 as more EmPOWER funds are directed to low-income residential homes rather than larger commercial, industrial, and multi-family apartment buildings that have historically received the majority of the EmPOWER funding. With the Bipartisan Infrastructure Law, the State is scheduled to receive \$45.7 million in DOE WAP funding over the next five years (doubling the current levels), and from the Inflation Reduction Act, the State is scheduled to receive \$136.8 million for home energy efficiency measures and electrification rebates over the next 10 years. Altogether, recently passed federal packages have created an opportunity for Maryland to access approximately \$670 million dollars over the next 10 years for low-income housing programs related to energy (See report published January 2023 from RMI, GHHI, Earth Justice, and Sierra Club on “Charting A Pathway to Maryland’s Clean Equity Energy Future.”)

Increasing the funding for DHCD to equitable levels will redirect multiple funding streams. As described above, EmPOWER Utilities programs are currently meeting unit production goals while spending under-budget. These funds are coming from ratepayers, and the public would be best served by seeing them invested in homes. Bringing the DHCD EmPOWER low-income program budgets and spending in line with the level of funds collected from customers would be a significant step towards increasing program capacity without needing to raise additional funds.


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).

Currently, 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 (Apprise, 2018). At present funding levels in the state, it would take over 100 years to finish energy efficiency improvements in all eligible 450,000 low-income households in the state. However, with a 0.53 % 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 2031.

This Bill will focus our resources on the residents who will garner the greatest benefit from residential energy efficiency upgrades. SB144 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. For these reasons, we request a favorable report on SB144.

Respectfully Submitted,



Ruth Ann Norton
President and CEO