



# The Iowa Policy Project

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## EXECUTIVE SUMMARY

### Lighting the Way

#### *How Iowa Can Lead with Energy Funding in Federal Stimulus*

By Beth Pearson and Teresa Galluzzo

Programs in Iowa to make low-income homes more energy-efficient, to finance various energy improvement projects and help fund city and county energy initiatives will receive large funding boosts from the American Recovery and Reinvestment Act (ARRA), or federal stimulus bill. Over the next three years, Iowa can expect about \$170 million in various energy-related ARRA provisions (Table 1).

**Table 1. Millions for Iowa Energy Funding in Federal Stimulus Package**

<b>Stimulus funding directed specifically at energy:</b>	Funding (millions)
<b>Weatherization Assistance Program</b> Makes low-income homes more energy efficient	\$80.8
<b>State Energy Program</b> Helps states implement strategies to reduce per capita energy consumption	\$40.5
<b>Energy Efficiency and Conservation Block Grant</b> Helps state and local government strategies for improving energy efficiency	
<i>EECBG State Funding</i>	\$9.6
<i>EECBG City Funding</i>	\$9.2
<i>EECBG County Funding</i>	\$2.4
<b>Subtotal</b>	<b>\$142.5</b>
<b>Stimulus funding containing energy applications:</b>	
<b>Clean Water State Revolving Fund</b> Projects related to green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities	\$10.6
<b>CDBG Energy Efficiency and Conservation</b> Funding for energy efficiency and conservation projects through the Housing and Urban Development administration	\$7.0
<b>Drinking Water State Revolving Fund</b> Drinking water infrastructure projects related to green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities	\$4.9
<b>National Guard Facilities Funding</b> Funding through the Defense Department to construct building additions, energy reduction improvements, and roof replacements for Iowa National Guard facilities	\$3.3
<b>Diesel Emission Reduction Grants</b> Funding through the Environmental Protection Agency to improve diesel vehicles through engine idling reduction and retrofit technologies, engine or vehicle replacement, and clean diesel emerging technologies	\$1.7
<b>Subtotal</b>	<b>\$27.5</b>
<b>Total</b>	<b>\$170.0</b>

Source: Office of the Governor and Lieutenant Governor, "Iowa's Economic Recovery," [www.recovery.iowa.gov](http://www.recovery.iowa.gov).

The largest share of this funding, more than \$80 million, will go to the Weatherization Assistance Program (WAP), which is administered by Iowa's community action agencies. The Office of Energy Independence will coordinate the two next-largest streams of funding, designated for the State Energy Program and for the Energy Efficiency and Conservation Block Grant (EECBG) Program. Smaller amounts of energy-related funding may also be available through other programs in the stimulus bill (shown in Table 1). Furthermore, numerous competitive funding opportunities related to energy have been identified by the various state working groups focusing on federal stimulus.

The massive potential for stimulus funding to expand Iowa's energy efficiency and renewable energy leadership, as well as boost the state economy, will be best realized by putting this funding to work quickly and focusing on forms of spending that directly reduce emissions. Sudden, large increases in funding for the Weatherization Assistance Program and the State Energy Program, as well as the new funding available for cities and counties, will also challenge programs, agencies, and governments to develop effective strategies for spending federal funds.

### ***Dramatic increase in weatherization funds can aid low-income Iowans***

The Weatherization Assistance Program (WAP) helps low-income families reduce their energy consumption and save money on their home utility bills by making energy efficiency improvements to their homes. The biggest change to Iowa's Weatherization Assistance Program in the stimulus legislation is the tremendous increase in federal funds made available to the program. Historically, in addition to about \$5 million in funding from the Department of Energy (DOE), Iowa's WAP received approximately \$5 million in funding from LIHEAP funds and another \$5 million from Iowa utility companies, meaning that annual funding for the program was around \$15 million.<sup>1</sup>

Ultimately, increased funding will translate into expanded access to low-income weatherization services as local agencies work to quickly scale up existing programs. Although this scaling-up process can present a challenge, particularly with the need to quickly train and hire administrators, contractors, and auditors, successful management of this challenge will mean that more low-income families in Iowa can reduce their energy consumption and lower their home energy bills.

### ***State energy funds require policy commitments***

The second-largest piece of energy-related stimulus funding coming to Iowa is through the State Energy Program (SEP), a federal program run through the Department of Energy that funds state energy offices to implement energy efficiency and renewable energy initiatives. These funds will be used for a variety of grants, revolving loan funds, and cost-sharing projects to help different groups and sectors in Iowa increase their use of renewable energy and energy efficiency technologies.

A 2005 analysis of the State Energy Program found that, on an annual basis, each federal dollar invested in the program had resulted in \$7.22 saved and 1.03 million source BTUs in energy savings.<sup>2</sup> Given that Iowa will receive \$40.5 million in SEP funding, the state may save almost \$293 million in energy costs and 41.7 million source BTUs (equal to 12,225,000 MWh) as a result of fully implementing stimulus funds. The bulk of Iowa's current efforts to promote energy efficiency are designed and administered by Iowa's utilities. In 2006 electric and gas utilities spent \$86.8 million on their efficiency programs, saving over 573,000 MWh of electricity.<sup>3</sup> With the addition of the federal dollars available to the SEP, efforts to energy efficiency savings in Iowa should receive a big boost.

In order to receive federal funds through the stimulus bill for SEP, Iowa has to make several commitments related to energy policy. First, Iowa must adopt the 2009 version of the International Energy Conservation Code (IECC) or adopt codes that are achieve equal or greater energy savings. The

Department of Public Safety expects to adopt the 2009 IECC on January 1, 2010.<sup>4</sup> However, beyond adopting a more stringent residential building energy code, Iowa must develop a plan to achieve 90 percent compliance with the new code within eight years. There is little information evaluating energy code compliance in Iowa, but one 2003 study found a less than 5 percent compliance for single-family homes, and less than 37 percent compliance for multifamily structures.<sup>5</sup> Thus, meeting this part of the federal funding requirements will certainly require a well-designed and well-executed plan.

In addition, Iowa must, through the appropriate regulatory authority, implement policies that will align utility financial incentives with customer incentives to use energy more efficiently. This alignment is usually referred to as “decoupling” and involves separating a utility company’s financial gain — now tied to the amount of energy consumed by its customers — from energy conservation goals. Shortly after the ARRA was signed in February 2009, Governor Culver informed the chairs of legislative committees dealing with energy issues and the members of the Iowa Utilities Board (IUB) of the terms of stimulus funding and urged them to act in ways that support the alignment of utility financial incentives with customer energy-efficiency incentives.<sup>6</sup>

### ***Local governments in Iowa must develop plans for energy efforts***

Local governments in Iowa will also receive more than \$21 million in Energy Efficiency and Conservation Block Grant (EECBG) funding from the Department of Energy to implement municipal-level energy-efficiency initiatives. Originally created through the 2007 Energy Independence and Security Act but not funded at that time, the EECBG program helps cities and counties develop and carry out plans for reducing their fossil fuel emissions and overall energy use. Local governments will have wide scope to improve energy efficiency with federal funds, including developing an energy-efficiency strategy, making energy-efficiency improvements to public buildings and other local government infrastructure, regranteeing funds to non-profits that want to retrofit their facilities, and making transportation systems more energy-efficient.<sup>7</sup>

Most local governments in Iowa do not have existing programs that deal exclusively with energy efficiency and renewable energy improvements or policy. Defining objectives for federal stimulus funds related to energy, and the activities that support those objectives, will be a key task in applying for funds from the Department of Energy or the Office of Energy Independence. In addition, an important part of this process will be building the capacity within local governments to craft these applications and administer newly funded programs, as well as within the Office of Energy Independence to help provide state support for local governments.

### ***Conclusion***

The sudden and dramatic increase in program budgets that is a consequence of the sheer size of stimulus spending brings challenges as well as opportunities. The common thread in these challenges — for weatherization programs, local government energy planners, and state energy program officials — is the need to build sustainable capacity so that big steps forward don’t create gaps in knowledge and effectiveness that undermine these gains in future years. Swift action is needed to support the immediate goal of creating jobs and stimulating the economy, but stimulus funding has the potential to help create long-term change in Iowa only if it is well-supported by capacity-building efforts.

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<sup>1</sup> Iowa Bureau of Weatherization. “Iowa Low-Income Weatherization Assistance Program 2008 Fact Sheet.” Available from: [http://www.dcaa.iowa.gov/bureau\\_weath/pdfs/2008%20Wx%20Fact%20Sht.pdf](http://www.dcaa.iowa.gov/bureau_weath/pdfs/2008%20Wx%20Fact%20Sht.pdf).

<sup>2</sup> Schweitzer, Martin and Bruce Tonn. An Evaluation of State Energy Program Accomplishments: 2002 Program Year. Oak Ridge National Laboratory, 2005. Available from: <http://weatherization.ornl.gov/pdf/ORNL-CON-492%20FINAL.pdf>.

<sup>3</sup> Iowa Utilities Board. 2007. *The Status of Energy Efficiency Programs in Iowa*. This spending figure does not include the \$35.3 million that investor-owned utilities spent on load management programs. Although utilities include load management

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in their energy efficiency programs, load management programs are not designed to reduce energy usage, but rather to lower peak electricity demand needs. Because information was not available on the amount that municipal utilities and rural electric cooperatives spent on load management, this was not subtracted from their totals, but many municipal utilities and rural electric cooperatives do not have load management programs. The spending and savings figures also do not include the rural electric cooperative natural gas energy efficiency programs.

<sup>4</sup> Personal communication with W. Stuart Crine, State Building Code Commissioner, Department of Public Safety, April 14, 2009.

<sup>5</sup> Makela, E., & Britt, M. (2003). *Final Report: Iowa Residential Energy Code Plan Review and Field Inspection Training*. Des Moines: Iowa Department of Natural Resources.

<sup>6</sup> Personal communication with Sean Bagniewski, Office of Energy Independence, April 10, 2009.

<sup>7</sup> U.S. Department of Energy. *Recovery Act—Energy Efficiency and Conservation Block Grants. Funding Opportunity Announcement*. Available from: <http://www.eecbg.energy.gov/Downloads/DE-FOA-0000013%20Amendment%20000001.pdf>.

## **Authors**

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## **The Iowa Policy Project**

Formed in 2001, the Iowa Policy Project is a nonpartisan, nonprofit organization based in Mount Vernon, with its principal office at 20 E. Market Street, Iowa City, IA 52245.

The Iowa Policy Project promotes public policy that fosters economic opportunity while safeguarding the health and well-being of Iowa's people and the environment. By providing a foundation of fact-based, objective research and engaging the public in an informed discussion of policy alternatives, IPP advances effective, accountable and fair government.

All reports produced by the Iowa Policy Project are made available to the public, free of charge, via the organization's website at <http://www.IowaPolicyProject.org>.

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