

Environmental and Energy Study Institute and House and Senate Renewable Energy & Energy Efficiency Caucuses.

Briefing on FY'08 Budget

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The states have been working very hard to increase attention on energy efficiency and renewable energy programs. States across the Nation recognize that promoting energy efficiency and developing the Nation's indigenous and renewable resources are the most beneficial options we have at our disposal to improve the environment, promote job growth and bolster energy security and reliability. We in the States also recognize that by using energy efficiency and renewable resources we can make a difference in addressing the effects of climate change. For example, my state of New York and the New England Mid-Atlantic states have joined together on a regional greenhouse gas initiative to reduce carbon emissions from the electricity generation sector. Massachusetts and Rhode Island have now rejoined RGGI and Maryland is actively pursuing membership in this initiative. Many of the activities of the RGGI states are focused on energy efficiency and renewable energy as a means to accomplish our carbon reduction goals. The Western Governors Association adopted their clean and diversified energy initiative last June -- large increases in energy efficiency and renewable resource activities are the order of the day. CA, AZ, NM OR and WA recently adopted a regional carbon cap and trade program. The States are leading the way to a better energy future.

In my own state we have a strong renewable portfolio standard and we have put hundreds of millions through our public benefits program into energy efficiency in the last few years alone- with impressive energy, environmental, and economic benefits to New York ratepayers.

If time permits, I would be happy to answer questions about our New York Energy Smart Programs.

Michelle New of the NASEO staff is with me today and we brought copies of the House Energy and Water Appropriations testimony NASEO submitted last week. We also have some copies of a compilation of model state programs. If you would like a copy please give Michelle your business card.

As Bill and Scott mentioned, with the decision by the appropriations committees to add \$300 million in FY'07 to the energy efficiency and renewable energy programs, to a level of \$1.473 billion, we are in a better position to work with DOE in reaching some of our common energy goals and objectives. I want to highlight several of these important State programs SEP

On March 16, 2007 DOE announced their spending plan for FY'07. We see the increase in funding for the State Energy Program (SEP) to \$49.5 million as a very positive development. DOE also committed an additional \$9.4 million to other state partnerships building on the very important foundation that the SEP provides. SEP helps match funds from the State Energy offices to implement energy programs in every sector of the economy. In fact, Oak Ridge National Laboratories, in an evaluation of the effectiveness of SEP, determined that for every Federal dollar invested over \$7 in energy savings is achieved and almost \$11 in non-federal funds are leveraged. My house testimony describes some of those success stories. However, in FY'08 the Administration asked for only \$45.5 million, of which \$10.5 million would be a competitive program between the states.

In the Energy Policy Act of 2005 (EPACT), Congress authorizes SEP at a level of \$125 million for FY'08. We should try to get to that level if we are really serious about our energy problems. We support a level of \$80 million, at a minimum, for SEP in FY'08.

Weatherization

While we were pleased with the SEP number for FY'07 we were very disappointed with the \$38 million cut in weatherization, to a level of \$204 million. Weatherization provides long-term energy efficiency improvements for low-income Americans. We support funding of \$300 million for this critical program in FY'08. The EPACT authorized level is \$700 million in FY'08. Families receiving weatherization services reduce their heating energy use, on average, by 22%. Cooling cost reductions are comparable.

The \$242.6 million in weatherization funds provided in 2006 resulted in:

- Serving an additional 93,000 homes occupied by low-income families receiving energy efficiency services, thereby reducing the energy use and associated energy bills;
- Reducing greenhouse gases and environmental pollutants significantly as a result of the decrease in energy use by these newly weatherized homes;
- Supporting nearly 20,000 full time, highly skilled within the service delivery network and in related manufacturing and supplier businesses; and
- Reducing the need for importing foreign oil by as much as 18 million barrels per year with this oil reduction number continuing to rise.

These times of fluctuating energy costs create added financial burdens for all Americans, but especially for those who live at or below the poverty line. Low-income families have always spent a disproportionate share of their income for energy needs than their middle-income counterparts. A typical middle class family pays about 5 percent of their annual income for energy costs (heat, lights, air conditioning, appliances and hot water). Low-income families pay nearly the same dollar amount or even more each year for energy, however, this amount represents a significantly higher percentage of their total household income (16 to 20 percent). In times of energy shortages and escalating energy costs, the energy burden for these families can reach 25 to 40 percent or more of their available income.

When energy costs rise, even a nominal increase can have a dramatically negative effect on low-income families. The expected increase in this last year's energy costs amounted to an additional cost of \$600 or more for most families. For middle-income families, this increase amounted to less than one half of one percent of the total household income. For many low income families, however, this increase resulted in a 4 to 5 percent reduction in their expendable income and caused families to go without other important essentials like food, medicine, or clothing to meet this higher financial demand for heating and cooling.

LIHEAP

The third key State/Federal energy program is the Low Income Home Energy Assistance Program (LIHEAP). Unlike SEP and the Weatherization Program, this program is administered by the U. S. Department of Health and Human Services. LIHEAP is a federal block grant program helping low income families pay their heating and cooling bills. The Program also

provides emergency funds. There are currently about 5.6 million households receiving LIHEAP which is only about 15% of eligible households.

Families receiving LIHEAP include working class, elderly, disabled and those with young children. Many of these families are very poor, well below the poverty line, and have few choices, but to cut back on food, medicine and other essentials in order to pay their home energy costs when Federal appropriations are inadequate to meet the need.

The following are just some statistics on this population:

- 94% have at least one member who is elderly, disabled, a child under 18, or has a single adult living with one or more children. More than three quarters reported an annual income at or below \$20,000,
- 61% have annual income at or below the federal poverty level.
- 50% have someone in their household that has asthma, emphysema, heart disease or has suffered from a stroke, and
- 20% have someone who uses necessary medical equipment that requires electricity, most commonly nebulizers, oxygen machines, and other machines to provide assistance with breathing.

LIHEAP is important and a vital lifeline to the people who received help. Last year the state directors of the LIHEAP program surveyed LIHEAP recipients and found:

- 63 percent said that they would have had to keep their home at an unsafe or unhealthy temperature,
- 54 percent said that they would have had their electric or gas service disconnected, if LIHEAP benefits had not been available.

- Almost all household who received LIHEAP in the past year said that it had been very important in helping them to meet their needs.

Energy prices are not declining. Gasoline prices have spiked. The U.S. Energy Information Administration projects that the average family will spend \$873 this year for home heating. This is \$176 more than the average of 2001 through 2005.

LIHEAP is not only a heating program it is also a cooling program. For example, households receiving cooling aid increased by 225,000 last year from 315,000 in 2005.

Congress reacted last year to the rise in energy prices by increasing funding by \$1 billion to \$3.2 billion as supplemental funding in FY'06. However, the FY'07 CR set LIHEAP back to \$2.186 billion. The President's Budget for FY'08 would make the situation even worse. It would cut LIHEAP to \$1.78 billion in total. That would be a cut of \$1.38 billion from FY 2006 – or a decrease of 44% at a time when energy costs have not declined and are headed upward again!

If passed, the President's proposal would result in severe cuts in grants to families and will result in more than 1 million fewer families receiving assistance.

LIHEAP is authorized at \$5.1 billion in FY'07. We must and have to do better than the FY'07 funding level.

Other Key Programs

The EPA Energy Star program has been a huge success. Funding should be \$100 million in FY'08. It is a one half that amount -\$50 million in FY'07 and it is proposed for a cut to \$43.5 million in FY'08. The Energy Star partnerships, the labeling program and these voluntary promotion programs have saved consumers and businesses billions of dollars in energy cost savings. The state energy offices work very hard to promote these programs which are an incredible success story of an active State/Federal/Private Sector partnership.

We also want to see funding for the following:

- Building codes training and assistance - \$7.5 million in FY'08 (authorized at \$25 million in section 128 of EPACT).
- DOE Energy Star - \$8.8 million in FY'08
- "Clean Cities" - \$9.6 million in FY'08 (equal to the President's request).
- Rebuild America - \$7.5 million in FY'08
- Industrial Energy Efficiency - \$74.8 million in FY'08.

We remain concerned that a number of programs authorized in EPACT have not been funded; they include:

- Energy Efficient Appliance Rebate Program - \$50 million authorization (Section 124 EPACT).
- Energy Efficient Public Buildings - \$30 million authorization (Section 125 EPACT).
- Low Income Community Energy Efficiency Pilot Program - \$20 million authorization (Section 126 EPACT).

- Energy Efficiency Pilot Program - \$5 million authorization (Section 140 EPACT).

Conclusion

As you consider budget and appropriations issues this year, you should put these funding levels in context. Oil and natural gas prices have been rising over a period of years. Increased price volatility will be with us for the foreseeable future. With the additional overlay of energy security and the need to respond to climate change, we are at a critical juncture in addressing energy efficiency and renewable energy. We must support and expand SEP, Weatherization and LIHEAP. We must fund a variety of deployment programs, some of which were authorized in EPACT, but not funded. We also must continue to invest in research and development to develop the next generation of energy technologies to be deployed in the marketplace.

As Congress examines new energy initiatives, a serious look at implementing the provisions of EPACT should occur- adequately funding these initiatives are good for the environment, good for the economy and good for energy security and reliability- they provide the demand and supply sources that the Nation needs to expand and prosper. We should do no less to secure the Nation's energy future for the generations to come.

Thank you.