



STATE OF DELAWARE
DEPARTMENT OF NATURAL RESOURCES
AND ENVIRONMENTAL CONTROL
89 KINGS HIGHWAY
DOVER, DELAWARE 19901

Office of the
Secretary

Phone: (302) 739-9000
Fax: (302) 739-6242

MEMORANDUM

TO: Ann S. Visalli, Director
Office of Management and Budget

Russell T. Larson, Controller General

FROM: David Small, Deputy Secretary *DSS*
Department of Natural Resources and Environmental Control

DATE: March 20, 2012

SUBJECT: Annual Report on the Weatherization Assistance Program

Attached please find DNREC's annual report on the Weatherization Assistance Program as of March 15, 2012, and in accordance with the Fiscal 2012 Budget Bill HB190 Sec 236.

As the primary author of this report, Mr. Phil Cherry and staff of Energy & Climate have made significant progress in bringing Delaware's Weatherization Assistance Program up to federal standards.

Please contact us with any questions or concerns.

Cc: Collin P. O'Mara, Secretary
Robert J. Zimmerman, Chief Operating Officer
Carolyn Snyder, Ph.D., Energy & Climate

Attachment

Delaware's Good Nature depends on you!

Annual Report
Weatherization Assistance Program
Department of Natural Resources and Environmental Control
Division of Energy and Climate
March 15, 2012

Introduction

Section 236 of House Bill # 190 of the 146th General Assembly requires the Department of Natural Resources and Environmental Control (DNREC) to report to the Controller General and the Budget Director annually by March 15 on the status of the state's Weatherization Assistance Program. This report complies with that requirement.

The Weatherization Assistance Program (WAP) of the U.S. Department of Energy (DOE) reduces the energy costs for low-income households by increasing the energy efficiency of their homes. In addition, the program makes people's homes healthier, safer, and more comfortable. The DOE estimates that the average household saves \$437 per year on their energy costs after receiving weatherization services. WAP provides an opportunity to significantly reduce the fuel assistance needed by low-income households, who spend over 14% of their total annual income on energy costs alone. Weatherization is a highly cost-effective investment; for every \$1 invested in the program, WAP returns an estimated \$2.5 to the household and society.¹

The American Recovery and Reinvestment Act (ARRA) brought vastly increased funding and increased scrutiny to WAP programs across the country. After site visits in Delaware during March and May 2010, DOE outlined many serious concerns about Delaware's program, including insufficient staffing, documentation, monitoring and quality control, a poorly trained workforce, improper tracking and use of funds, inadequate procurement processes and poorly performing subgrantees. These problems were further borne out by state auditing reports.

It was at this point that the decision was made to move Delaware's weatherization assistance program from the Department of Health and Social Services (DHSS) to the Department of Natural Resources and Environmental Control's (DNREC), where DNREC was already in the midst of building new capabilities and programs in energy conservation and management. The transition of the WAP program from DHSS to DNREC occurred during much of state fiscal year 2011, and continues today.

The DOE Weatherization Assistance Program requires, by federal statute, the State contract with local agencies, otherwise referred to as "subgrantees", to deliver weatherization services to eligible residents. When DNREC took over the WAP in early 2011, the decision was made to continue using the same subgrantees selected by DHSS in 2009, at least for the duration of the ARRA, due to their familiarity with the existing client base and long standing involvement in Delaware's weatherization efforts. The subgrantees, Neighborhood House, Inc. and First State Community Action Agency, Inc. currently serve New Castle County, and Kent and Sussex Counties, respectively. DNREC has implemented a centralized system of WAP operations and realigned State and sub-grantee responsibilities, focusing on accountability and strong oversight from the State.

¹ For more information, see DOE's website: <http://www.waptac.org/WAP-Basics.aspx>

Activities and Assessment

DNREC has made significant progress in bringing Delaware's Weatherization Assistance Program up to federal standards. Following shut down of the program in spring 2010, and a lengthy re-building process through the middle of 2011, the program is now functioning at full performance.

Due to ubiquitous problems experienced in 2009 and early 2010, the decision was made to revisit all homes that had received some level of assistance under the old program – to look for prior fraud and abuse, poor workmanship issues and missed opportunities in approximately 1500 units that had previously had WAP funds expended for weatherization work.

Highlights of the renovation and current progress and status are as follows:

- DNREC has executed new subgrantee contracts with Neighborhood House, Inc. and First State Community Action Inc. These contracts include clear expectations, accountability and all required federal flow down requirements and protections.
- Through much hard and excellent work at DHSS, all previous program expenditures have now been properly characterized and coded and all expenditures disallowed by DOE have been addressed.
- A new comprehensive Policies and Procedures Manual has been developed for all aspects of the program. This 260 page reference and guidance document has been extensively reviewed by DOE and is currently in use.
- The program is currently fully staffed at the State level including a program manager, two field monitors, a management analyst and administrative specialist doing operational analyses, subgrantee management and training, fiscal tracking and data management.
- Over 50 individuals are employed in the program, including contractors, office workers, and staff at the two subgrantee agencies providing services.
- All contractors working in the program were competitively selected and have received extensive and specialized training in all aspects of weatherization work, including DOE required safety training.
- The program was brought back up and began re-auditing and weatherizing homes in June 2011. Currently, between 10-20 homes are being weatherized every week throughout Delaware.
- All clients are certified eligible for services under DOE rules and proper documentation is included in both paper and electronic files at both the subgrantee and state levels.
- New client and fiscal tracking systems have been emplaced to ensure full accountability, fiscal tracking and program transparency.
- To date, approximately half of the 1500 homes needing to be re-visited are considered complete (have had a final inspection and passed or were otherwise "closed").
- State and local quality monitors have been on-site during various aspects of weatherization work (audit, installation or Final inspection) in an estimated 80% of all units weatherized to date.
- All apparent cases of improper billing or abuse from past activities are being cataloged as we re-visit these homes. DNREC is working with the Delaware Attorney General's Office at seeking restitution from contractors for any and all funds owed the State.
- DOE inspectors have visited Delaware twice during 2011. These recent technical and administrative program audits by DOE have found no substantive flaws in the newly developed program. Previously identified audit findings have all been fully addressed.

Funding and Expenditures

Weatherization has traditionally been a federally funded program and has existed since the early 1980's. In Delaware, annual federal funding for the WAP Base program has varied with congressional appropriations over the course of the last 5 years at between \$500,000 and \$1,000,000 per year. With the passage of ARRA in 2009, Delaware received \$13.7 Million, with a three year expenditure window of 4/1/09 thru 3/31/12.

A summary of funding and expenditures is as follows:

- A recent decision by DOE has granted a six month extension for expenditure of ARRA funds through 9/30/12. This is welcome news as we needed the additional time to continue re-addressing the 1500 units discussed above.
- Delaware, because we have focused exclusively on fully expending ARRA funds, has accumulated \$1.1 Million in unexpended FFY10 and FFY11 WAP annual base funds. These funds will be carried over into our FFY 12 program year and used once all ARRA funds are expended.
- For FFY 12, federal appropriations for WAP have dropped 65%. Delaware will receive no new FFY 12 funds this year. Our lack of funding for FFY 12 is a direct result of the carryover balance from FY 11 and the extension of ARRA. Funding for FFY 13 is expected to return to historical levels, again, subject to congressional appropriations.
- DNREC and DHSS recently executed a Memorandum of Understanding agreeing to dedicate 10% of LIHEAP funds (Low Income Home Energy Assistance Program) received by DHSS to the DNREC WAP on an annual basis. Use of LIHEAP funds for WAP activities is expressly permitted by federal statute and encouraged by DOE, up to a total of 15% of federal LIHEAP appropriations each and every year. While again subject to congressional Appropriations, the expectation is that LIHEAP funds may provide approximately \$1.0M/year for WAP activities over the long term. For FFY 12, DNREC has received \$433,000 thus far from DHSS. None of these funds have been expended thus far; however they are required to be expended prior to September 30, 2012.
- Also contained in the recent MOU, the agencies have agreed to dedicate 50% of "utility funds" (authorized under 26 Del Code §1014) to the WAP; expected to be approximately \$400,000 per year. To date, no utility funds have been transferred to DNREC; however the agencies are currently working on the first transfer to take place next month.
- 10% of the revenues from the Regional Greenhouse Gas Initiative (RGGI) are also directed to the WAP under 7 Del Code §6054. The generation of these funds is subject to market forces associated with the sale of CO2 allowances under RGGI, however the program has provided \$756,093 for WAP in CY 2011. With the transfer of the program to DNREC, DNREC has received \$277,983 since September, 2011 and has expended \$32,290 of those funds in support of program start-up expenses in DNREC.
- Due to the need to fully expend ARRA funds during its implementation period, no funds other than ARRA funds have been expended in weatherization of units since DNREC took over the program last year. That will change once ARRA is over and funding streams (WAP Base, LIHEAP, Utility and RGGI) become more routine, predictable and reliable.

Planning for the Next Fiscal Year

For the remainder of State FY 12, and into FY 2013, DNREC will be focusing on the following:

- Fully expending all ARRA funds in accordance with all federal rules and regulations.
- Re-visiting all homes where poor weatherization services were provided in 2009 and 2010 and ensuring those homes are properly weatherized and where cases of poor workmanship, improper billing and missed opportunities are addressed to the fullest extent of the law.
- Weatherizing as many “new” homes as possible with other funding sources and as time and funds allow.
- Continuing development of subgrantee and contractor capabilities to provide efficient, effective, and affordable weatherization services to Delaware’s low income population.
- Fine tuning policies and procedures for delivery of services and activities in the field.
- Development of a contractor certification program with reciprocity in neighboring states to build the level of contractor knowledge and training.
- Re-bidding, through a robust and transparent solicitation process, the role of subgrantee in delivery of services.