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Improving Access to Energy Efficiency Making Houses Tight When Household Budgets are Tight

IOWA CITY, Iowa (May 6, 2010) — Iowa is missing opportunities to build on its leadership in energy efficiency by allowing important policy initiatives to miss low-income households where significant energy savings could be found.

“For middle- and higher-income families, energy-efficiency improvements are considered common-sense ways to hold down heating bills. Unfortunately for low-income families, energy efficiency is often a luxury beyond their means,” said Teresa Galluzzo, research associate for the nonpartisan Iowa Policy Project (IPP).

“It can become a vicious cycle — for a family in a drafty house, energy bills go through the roof with the heated air,” Galluzzo said. “The state can do more to help those families and build on its leadership in energy efficiency.”

In a new report, Galluzzo and former IPP researcher Beth Pearson suggest steps Iowa can take to reduce home energy consumption with efficiency improvements for families who cannot afford to do so on their own.

“This would have two big benefits: reducing utility bills in Iowa, and reducing greenhouse gas emissions by saving energy,” Galluzzo said.

Galluzzo and Pearson identified areas where policy initiatives have fallen short and need to be expanded to reach more low-income households:

- Iowa’s Weatherization Assistance Program (WAP) is effective but reaches only a small fraction of eligible low-income homes;
- federal tax credits created in federal recovery legislation; and
- utility-run programs, which offer financial incentives to conserve energy.

“The intention with all of these efforts is good, but each fails to deliver in a meaningful way to the majority of low-income households,” Galluzzo said. “That’s important, because low-income households need to be a target if Iowa is to make great strides in energy efficiency at the residential level.”

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Falling Through the Efficiency Gap

Consider a single parent with one child and an annual income of \$30,000. This family pays no federal income tax, so does not benefit from tax credits for efficiency improvements. The family also is ineligible for LIHEAP and WAP because their income is too high (the WAP income limit for this household is \$29,140). Yet, a comprehensive efficiency retrofit of this family’s home could cost as much as 23 percent of their annual income.

Energy efficiency improvements pay for themselves over time, but the family does not have the discretionary income to invest in these measures.

The researchers noted that low-income households use less energy per household than higher-income neighbors, but use more energy per square foot because their homes and appliances tend to be older and less efficient.

“That’s one reason the one-fifth of Iowans with the lowest incomes are estimated to account for one-third of Iowa’s residential greenhouse gas emissions,” Galluzzo said.

Specifically, the researchers noted WAP in Iowa weatherizes just over 2,000 homes each year, and expects to weatherize an additional 7,000 over the next three years with funds from the federal recovery legislation (American Recovery and Reinvestment Act, or ARRA). Despite the increase, WAP falls well short of need; as of 2009, 165,206 Iowa homes were eligible for and needing weatherization.

Federal tax credits under ARRA offer a 30 percent credit for certain energy efficiency improvements — but the credits are nonrefundable, which means they only benefit families that earn enough to pay federal income tax, and thus primarily benefit upper-income people.

Utility-run energy-efficiency plans also do not adequately reach a large share of low-income households because not all utilities are required to address that population with their energy-efficiency plans. Consumer-owned utilities, such as municipals and rural electric cooperatives, do not need state approval and do not have to target low-income customers.

“These are obvious holes in our energy-efficiency strategies, and they need to be patched just like a hole in the roof,” Galluzzo said. “Addressing these gaps in our energy policies is a quick and easy way to make strides on energy conservation and make a big difference in the budgets of low-income Iowans.”

The Iowa Policy Project is a nonpartisan, nonprofit policy research and analysis organization in Iowa City. Find the full report on this issue and other public policy matters facing Iowa at www.IowaPolicyProject.org.

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