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## **2005 Report to the Minnesota Legislature on Federal Energy Funding**

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Pursuant to Minnesota Statutes 216C.02, Subdivision 1, the Commissioner of the Department of Commerce is required to report to the legislature on the amount of federal money, including oil overcharge funds, that is likely to be available to the state for energy programs during the next fiscal year.

The Department of Commerce administers three federal energy programs: 1) Low Income Home Energy Assistance (LIHEAP), 2) Weatherization Assistance Program (WAP), and 3) State Energy Program (SEP). Funding for LIHEAP comes in the form of a block grant from the US Department of Health and Human Services. WAP and SEP are both formula grants from the US Department of Energy (DOE.) WAP is a low-income energy conservation program; SEP promotes energy efficiency and renewable energy in all sectors.

This report will discuss factors pertinent to each program. It should be noted that projecting future federal funding is difficult. While we work in concert with other states to demonstrate the continuing need for federal funding, the Department strives to use available funding efficiently to achieve maximum results.

### Low Income Home Energy Assistance Program (LIHEAP)

LIHEAP provides low-income households with primary heat assistance, crisis payments, and energy-related repairs. Minnesota received \$72.1 million in LIHEAP funding for the program year 2004 (October 1, 2003 – September 30, 2004). Over 350,000 households met the income eligibility requirement for this program in 2004; LIHEAP served approximately 111,000 of those households. Projecting future need for this program is particularly difficult: as program eligibility is based on household income, employment and wage gains or losses in the state. At the same time, volatile energy prices and Minnesota's highly variable weather will both affect the level of need within the eligible population.

### Weatherization Assistance Program (WAP)

WAP provides grant funding to install energy conservation measures in low-income homes, making them more energy-efficient and, ultimately, reducing the amount of fuel that the household needs to purchase. Minnesota received \$9.68 million dollars in weatherization funds in FY 2004. Current year federal funding is \$9.8 million; funding for next year is expected to be approximately the same. With that funding, DOE requires that the State weatherize a minimum of 3,052 homes. Minnesota, through its contracts with community action agencies, has weatherized 7.7 % over the required level in the past three years.

In addition to federal weatherization funds, federal requirements mandate that states transfer from 5-20% of LIHEAP funds to weatherization as a means of more permanently assisting households. WAP receives 5% of Minnesota's LIHEAP funds annually. These funds help households with repairs that may not be allowed by DOE and, more recently, with furnace repairs and replacement.

Minnesota has not received any oil overcharge money for weatherization for several years. However, it is anticipated that DOE will make a final disbursement of oil overcharge funds in FY 2005 or 2006. The State will likely receive approximately \$217,000; under current law, half of those funds will be allocated to weatherization activities.

Utilities also provide some funding for low-income energy conservation activities directly to community action agencies through the Conservation Improvement Program (CIP). CIP funding for low-income is dependent on a utility's past spending, the utility's service area and varies widely from utility to utility.

The WAP also receives approximately \$0.5 million from a dedicated propane fee and approximately \$0.4 million from a fuel oil-related appropriation. This money is allocated to agencies based on the number of homes in their service area that utilize those fuels for primary heating.

#### State Energy Program (SEP)

SEP funds are used to promote energy efficiency and renewable energy technologies in all sectors through public information, education and demonstration projects. In recent years, SEP funding has been stable at approximately \$900,000 annually, and is expected to remain at that level in FY 2006. The State is required to provide a 20% match to these funds.

Throughout the nearly 30 years of this program, the Department has used a substantial portion of its federal funds to provide services, such as the Energy Information Center, that are mandated by state statute. The Energy Information Center has contact with well over 100,000 citizens annually by telephone, email and, increasingly, through its participation in home shows, the State Fair, and other large public events. More than 150,000 publications, ranging in topics from how to prevent heat loss in your home to an overview of biofuels to improving industrial steam system performance have been distributed on paper, CD and on the web. SEP funds have also supported the Department's promotion of renewable energy technologies through its extensive resource monitoring and mapping programs. Minnesota's wind resource maps have been an important aid to wind developers assessing different sites. In this time of budget constraints, the Department will continue to focus its resources on such core services. In addition, we will continue to seek competitive grant funding. Over the past three years, the Department has successfully worked with public and private partners to secure more than \$3.1 million in competitive funding.