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Testimony of Nevada Housing Division Before Senate Commerce and Labor  
March 13, 2003  
Hearing On Senate Bill 4

Chairman Townsend, Members of the Commerce and Labor Committee, I am Chas Horsey, Administrator of Nevada Housing Division.

Thank you for this opportunity to testify before you on S.B.4.

Mr. Chairman, my testimony today will focus on the effects of terminating the Universal Energy Charge.

S.B.4 would terminate the Universal Energy Charge instituted in the 2001 legislative session. The Universal Energy Charge or UEC is used to fund State administered energy assistance and conservation programs through the Fund for Energy Assistance and Conservation (FEAC).

The enabling statute directs 25 percent of the UEC revenues to the Nevada Housing Division for energy conservation measures in low-income households. Households must have incomes at or below 150% of the federal poverty rate to qualify for the program. For a household of 4, this equates to an income of \$27,600 per year. For a household of 2 this equates to \$18,180 and for a household of 1 this equates to \$13,470.

The weatherization program reduces energy costs for low-income households by increasing the energy efficiency of their homes. The portion of UEC revenues used for these purposes amounts to approximately \$2.3 million per year.

Respectfully, I believe that terminating the UEC would be detrimental to Nevada's Weatherization efforts and have a significant and adverse impact on low-income households, the Housing Division's sub-grantees, and Nevada's economy.

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This fiscal year, the Housing Division anticipates weatherizing approximately 1,400 residences. This production level is nearly a four-fold increase from 379 households weatherized in fiscal year 2002.

The significant increase in production we have achieved and the equally significant benefits provided to the citizens of Nevada that I will discuss today are directly attributable to the enactment of the UEC and the low-income energy assistance and conservation programs funded from this source.

Through UEC funded conservation programs we have built a first rate service delivery structure that better serves those in need and, most importantly, that will produce a positive stream of tangible, measurable benefits into the future.

Impact on Low-Income Households. Currently, the Nevada Housing Division estimates that 140,000 households qualify for UEC funded energy conservation measures.

The additional funds made available from the UEC make it possible to weatherize hundreds more low-income households than is possible under other public and private programs.

The largest single effect of terminating the UEC will be a nearly 75 percent reduction in the amount of weatherization assistance available to low-income households. If the UEC funding is eliminated, 1,050 households per year will not be weatherized. As a result, families in these households will continue to shoulder high-energy costs.

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Nationally, the U.S. Department of Energy reports that low-income households expend on average 14 percent of their annual income on household energy. This compares with 3.5 percent for other households nationwide and 4.2 percent in Nevada.

High utility costs have a disproportionate effect on low-income families and can undermine a family's ability to obtain or maintain financial independence. This is especially true for at-risk populations, such as the elderly, who because of increasing heating and cooling costs are often forced to make difficult choices that effect their health and safety.

On the other hand, Nevada's energy conservation efforts reduce energy costs year round and provide long-term relief from expensive energy bills (**and continue to save money every year**).

Nationally, energy conservation efforts result in an average annual energy savings of \$218 per household. For Nevada, the Housing Division estimates an average household savings of \$311.64 or approximately \$26 per month.<sup>1</sup> This estimate is based on an energy consumption model approved by the U.S. Department of Energy.

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<sup>1</sup> The average monthly energy savings is based on an energy consumption estimating model developed for the Nevada Housing Division by Architectural Engineering Corporation using an sample of 673 households weatherized in FY 2003.

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The savings generated from the Weatherization program amounts to approximately 3% of the average income of households served by Nevada's weatherization program during the first seven months of the current fiscal year.<sup>2</sup>

In addition, approximately 10 percent of the households weatherized require health and safety improvements to correct potentially life-threatening conditions, such as CO poisoning or inoperative heating and cooling systems.

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<sup>2</sup> The average household income is \$11,015. Based on 673 households weatherized between July 1, 2002 and January 1, 2003.

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Effect on Sub-Grantee Operations. The Housing Division's weatherization program is delivered by 4 community based, local organizations known as sub-grantees. Over the last 18 months, in response to UEC funded programs, each sub-grantee has been required to develop service and delivery structures to increase production.

Professionally trained staff and contractors have been hired and trained to perform household energy and safety tests, install weatherization measures pursuant to technical standards, and monitor quality control.

Vehicles and equipment have been acquired. Facilities have been leased. And, client outreach has been initiated to over 2,000 households designed as "high-energy" users.

Terminating UEC funding for weatherization would result in significant reductions-in-force. The Housing Division estimates that 27 persons currently employed by sub-grantees or under contract would lose their jobs as weatherization production falls back to pre-2002 levels.

Sub-grantees would also incur additional costs to terminate contracts and facility leases.

By terminating the UEC, the State of Nevada would effectively lose the value of the front-end investment made to develop an infrastructure to deliver UEC funded conservation measures. These investments include \$80,000 in technical training and over \$200,000 spent on equipment and vehicles that would be surplus by the State of Nevada at a loss.

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The Housing Division further estimates that as many as 400 to 500 applicants will be in the weatherization pipeline at the end of FY 2003. Improvements to these households depend on UEC funding in FY 2004. If no UEC funding is available, sub-grantees will face increased pressure to match approved applicants with alternative sources. This type of case management is labor intensive and is potentially disruptive to non-profit operations and damaging to agency reputations.

Effect on Local Economy. Weatherization funds provide an important direct benefit to the local economy. In 2003, the Housing Division anticipates expenditures on labor, materials, and services exceeding \$2.7 million. Approximately 70 percent of this amount is expended on materials and services purchased from local suppliers and contractors. Purchases include windows, doors, insulation, water heaters, HVAC equipment, thermostat controls, and various sealing supplies.

The U.S. Department of Energy estimates that 52 direct jobs are created for each \$1 million in weatherization expenditures. By this estimate, UEC and DOE funded programs in Nevada contribute to over 180 direct jobs.

The purchases made through the UEC funded conservation program also help fuel local commerce and assist in creating jobs. Assuming a multiplier to 3.0, which is consistent with this type of program, weatherization purchases generate over \$5 million in additional spending.

In the short-term, terminating the UEC would adversely effect local hardware stores, lumber yards, insulation and plumbing contractors, and other service providers.

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Housing Division Proven Track Record. Our State's weatherization programs have provided us with a cost-effective means to accomplish many important public goals.

Nationally, conservation programs like the one funded by the UEC, have proven to be good public investments, returning on average \$1.80 in energy related benefits for each \$1 invested in the program.

The Nevada Housing Division estimates that the discounted savings for households weatherized through January 31, 2003 exceeded \$1.7 million. UEC expenditures during this period were approximately \$1 million. Hence, we are on track with the accomplishments seen in other states.

Furthermore, this year the Nevada Housing Division has made several improvements to its weatherization policies, program management systems, and sub-grantee service delivery could bring Nevada's savings to investment ratio to 2.0 or more by the end of fiscal year 2004.

In closing, I believe that the record shows that the Nevada Housing Division's weatherization program provides significant benefits to our citizens and communities. I respectfully ask that you take our accomplishments and the benefits our program provides to Nevada's neediest population into account as you consider the important question of whether to continue UEC funded weatherization programs.

Thank you for this opportunity.