



**Testimony to the Select Committee on Energy  
Independence & Global Warming  
Lisa Patt-McDaniel, Director  
Ohio Department of Development  
March 10, 2010**

**Chairman Ed Markey, Ranking Member James Sensenbrenner, Jr., and Committee Members, I am Lisa Patt-McDaniel, Director of the Ohio Department of Development.** Thank you for the opportunity to speak with you today about Ohio's successful implementation of federal and state programs to create an energy efficient Ohio economy. After providing a brief overview of the beneficial work underway in Ohio, I would be happy to engage in a dialogue with you and address any questions you may have.

Before I speak directly to our efforts on energy, I'd like to explain what role the Ohio Department of Development plays in Ohio's economy. Our Department spearheads the state's efforts to promote economic growth statewide. On a daily basis, we respond to the needs of companies seeking to locate or expand in the state; process requests for loans and grants; administer stimulus initiatives, such as Home Weatherization Assistance Program (HWAP) and State Energy Program (SEP); manage the Ohio Third Frontier to advance the technology sector; promote workforce training efforts; and address the needs of dislocated workers.

These programs are part of a strategic framework focused on growing the income of Ohioans, creating and retaining jobs, and expanding productivity through innovation. One of the central tenants of our framework is to work with communities, people, and businesses to meet the considerable challenges facing our state and our nation. This downturn has challenged our Department – and all of you as elected officials – to renew our efforts to meet these challenges and focus on a better way to serve our citizens.

### **CHANGES IN ENERGY**

Energy dependence, consumption, and production have become increasingly important to Ohio and the nation – especially in recent years. Energy consumption in the United States more than tripled from 1949 to 2008 – from 31.982 to 99.304 Quadrillion BTUs – and the need for renewable energy sources and to use energy efficiently has never been higher. In fact, Ohio alone accounts for more than \$45 billion on energy spending every year and places the state fifth among all states in overall energy consumption.

## **OUR RESPONSE**

The Ohio Department of Development is responsible for distributing more than \$512 million in stimulus funding through a variety of programs ranging from homeless assistance to renewable energy deployment. Those investments are in addition to numerous state programs and initiatives which are focused on nearly every aspect of energy production and consumption, including weatherizing homes for lower-income citizens, assisting businesses with investments to become more energy efficient, and supporting community projects to install technologies such as solar panels. The goal is to renew our efforts to meet the challenges facing our businesses, communities, and people. These ventures serve as economic elevators for Ohio businesses and households, and improve the quality and cost of living in Ohio communities.

### **Home Weatherization Assistance Program (HWAP)**

Ohio's nationally recognized Home Weatherization Assistance Program (HWAP) is administered by our Department's Community Development Division and its Office of Community Services, providing free assistance for citizens whose annual household income is at or below 200 percent of the federal poverty guidelines.

The Department allocates funding based on an existing formula methodology, with funds directed to local community action agencies and other public and nonprofit entities that carry out the Home Weatherization Assistance Program across the state. Our Department utilizes a weatherization provider network, which consists of 58 separate entities. Since 1977, the state has successfully weatherized more than 304,000 dwellings throughout the state through the program, resulting in a reduction of millions of pounds of gases.

Our Office of Community Services is collaborating with the U.S. Department of Energy on the expanded Home Weatherization Assistance Program to benefit low-income Ohioans. The state's weatherization budget from the federal stimulus is more than \$266 million. More than 32,000 housing units will be weatherized during the three-year grant period. More families will get the help they sorely need and local businesses will see an increase in sales of materials, supplies, and trucks to carry out the larger program.

Ohio's process for utilizing weatherization resources effectively and expeditiously is one of the reasons I have the honor of joining you today. Ohio was recently recognized by the U.S. Department of Energy as leading the nation in spending American Recovery and Reinvestment Act funds to weatherize homes, with Ohio completing more than one in five of the projects reported nationally last year.

Since July 2009, our state has weatherized 8,145 homes, resulting in a return of \$1.67 for every dollar invested through the program. Dwellings weatherized to date represent 103 percent of our planned production; so far, Ohio has weatherized 204 additional units than originally planned.

We believe there are several reasons why our state was able to ramp up and respond to the needs of our citizens so quickly:

- An increase in weatherization funding in 2008 enabled agencies to purchase additional equipment prior to the passage of the American Recovery and Reinvestment Act.
- An existing, well-established network of weatherization providers was a critical component. The Office of Community Services allocated the Recovery Act Home Weatherization Assistance Program funds to the existing network on a formula basis to ensure that the entire state would receive program services.
- Many of the weatherization providers had lists of eligible households to be weatherized prior to receiving funding.
- The Ohio Weatherization Training Center, a well-established training facility operated by the Corporation for Ohio Appalachian Development, enabled new staff to be immediately trained. Also, the training curriculum was streamlined to quickly train and certify staff. Three training hubs were opened in addition to the main training center in Athens, Ohio to enable training without travel.
- The Office of Community Services noted early on that there were insufficient local inspectors available to review completed housing units. Working with the training center, plans were implemented to increase the number of inspectors hired and trained.
- The Office of Community Services provided a 10 percent advance of the individual grant amounts to weatherization providers, enabling agencies to purchase additional equipment such as vehicles and weatherization supplies.
- Finally, the Office of Community Services instructed providers to begin weatherizing houses on July 1, with weatherization staff salaries to be retroactively adjusted once prevailing wage rates were issued by the U.S. Department of Energy.

Every weatherization investment aides Ohio's ability to promote economic development while making the client's home safe, comfortable, and more affordable to operate. Plus, a more energy efficient home cuts costs for homeowners and frees those dollars for spending on other goods and services. The market value of homes weatherized increases, resulting in immediate and long-term benefits for homeowners and their neighbors. This, in turn, raises the integrity of neighborhoods, which indirectly impacts the longevity and type of businesses in the area – promoting local economic growth.

By reducing household energy expenditures, increasing energy efficiency, and improving the safety of homes owned or occupied by low-income Ohioans, we have a foundation to make our state a cleaner, more efficient place to live.

### **State Energy Program (SEP)**

There are several important programs that complement our efforts to create jobs and promote energy efficiency through the Home Weatherization Assistance Program. The State Energy Program (SEP) is a \$96 million program designed to stimulate the economy through the retention and creation of jobs, saving energy, increasing generation from renewable energy, and reducing greenhouse gas emissions. The

program is a collaboration between the Ohio Department of Development and the Ohio Air Quality Development Authority, with input from additional state agencies. The State Energy Program is broken down into the five subprograms outlined below.

- The *Deploying Renewable Energy in Ohio* initiative invests more than \$42 million of State Energy Program funding through renewable deployment projects, focusing on strengthening Ohio's manufacturing industry; transforming waste to value by capitalizing on what would otherwise be considered waste byproducts from Ohio's agricultural and food production industries and turning it into a source of renewable energy; and furthering important efforts in advancing biofuels. The overall goal of this initiative is to further Ohio's important manufacturing and agriculture economic bases by deploying flagship projects that help drive demand for these important industries.
- The *Making Efficiency Work* portion allocates \$8 million to fund grants to help promote greater energy efficiency. Through this initiative, Ohio will build partnerships with the building and contractor industries, conduct pilots of above-code new commercial and residential construction, and incentivize the participation of entrepreneurial and minority-based enterprises. The initiative will reduce energy waste in existing buildings and new construction by using such techniques as equipment retrofits, and green building techniques and technologies.
- Our *Targeting Industry Efficiency* program provides for \$15 million in grants to manufacturing companies seeking to improve the sustainability of Ohio industry. This initiative will improve the sustainability of Ohio's manufacturing industry by reducing greenhouse gases and other criteria pollutant emissions in non-attainment areas, building expertise and awareness in industrial carbon management projects, and assessing the economics of carbon reduction activities in the industrial sector.
- The *Banking on New Energy Financing (Ohio Energy Gateway Fund)* is a public-private partnership that will expand access to capital to grow and sustain the fuel cell, solar, wind, and energy storage industries in Ohio. The fund includes a \$30 million commitment of funds from the State Energy Program and \$10 million from the Ohio Bipartisan Job Stimulus Plan, and requires a minimum of one-to-one match by the private finance markets. The goal of the Ohio Energy Gateway Fund is to drive job creation and growth in both the primary and supplier network of Ohio's advanced energy sector.
- Finally, the *Setting the Stage for Ohio's Carbon Management Strategy* initiative allocates \$500,000 to organize an integrated collaborative planning process to address energy policy related to energy diversity, sustainability, and innovative policies. This initiative will help secure a reliable energy future and is being led by the Governor's Energy Advisor. Specifically, this initiative will develop an energy strategy for the next five to 10 years that will assess the opportunities and risks for Ohio's economy around key energy issues including carbon policy and market options. It will cover the following activities: climate change planning, energy use and modeling, and policy and energy legislation.

On November 30, 2009, we announced our first set of awards, which will distribute more than \$13 million to wind and solar deployment projects and help Ohio become more energy independent through renewable resources. Last month, we announced a second set of awards, with more than \$11.8 million in industry efficiency grant awards funded through the State Energy Program. Over the next few months, the Department will be awarding the remaining funds, catalyzing new investment and job creation in the energy sector.

### **Energy Efficiency Conservation Block Grant**

The final program I would like to highlight is the Energy Efficiency Conservation Block Grant. The State of Ohio's total allocation of \$84 million through the program is divided into two parts. A total of \$25 million is available as a direct allocation to the state, while the remaining \$59 million is a direct allocation from the U.S. Department of Energy to Ohio's 10 largest counties and 33 largest cities that were required to file an energy strategy proposal with the federal government in mid-August.

Regarding the State of Ohio's direct allocation, in October, our Ohio Energy Resources Division began accepting applications for \$15 million in funding available through Ohio's Energy Efficiency and Conservation Block Grant program for eligible non-entitlement county and city governments. Projects that are specifically part of the program involve those that will lower fossil fuel emissions, reduce energy usage, and create jobs. This program is designed specifically for local county and city governments that did not receive direct allocation from the federal government.

Project activities include energy efficiency retrofits and installation of distributed energy technologies in the residential, commercial, industrial, government, or academic sectors; higher efficient lighting for traffic signals and street lights; reduction and capture of methane or greenhouse gases; and installation of renewable energy technologies on government buildings. Awards will be selected through a competitive process in the coming months.

### **JOB CREATION**

Each one of the programs that the Ohio Department of Development administers and utilizes is designed to promote economic growth and ultimately, create and retain jobs. With national and state unemployment hovering around 10-11 percent, jobs continue to be at the forefront of every citizen's mind and a focus of economic development leaders.

Utilizing grants, loans, and tax incentives, our Department works to invest in projects that create and retain jobs for our citizens over the near and long term. Not all programs work in the same way, with some creating jobs immediately in our communities and others creating jobs over an extended period of time.

For example, the announcement of the *Targeting Industry Efficiency* portion of the State Energy Program will create an estimated 217 jobs across the state. Kovatch Castings, Inc., a family-owned metal castings company in Summit County (Northeast Ohio), was awarded \$1 million to replace three inefficient ovens with two energy-efficient gas ovens at their foundry, which would reduce gas use by 47 percent and create 45 new jobs. Jobs will be created over the near term because the installation of the new ovens will

require the company to expand its plant, creating immediate construction jobs. In the long term, the addition will increase capacity at the facility, leading to an increase in production, an increase in sales, and eventually, the need for more workers to meet that growing demand.

The impact of these investments can also be much bigger, fostering the growth of an entire industry. Programs like those in the energy fields create both immediate jobs and set in motion a chain of events leading to industry-wide job growth for many years. The need for a workforce trained in energy efficient technologies and workers with specialized skills to install these technologies is growing, leading to thousands of jobs over the span of several years.

Weatherizing homes in local communities, for example, creates a demand for technicians and workers trained in installing specialized products, leading to an increase in jobs directly. We'll need workers to fill these positions as the industry grows, leading to an increase in educational programs at local colleges, universities, and technical centers. The increase in technicians then fuels a demand for research and development of more efficient, more effective technologies, leading to more jobs in research fields.

This kind of drive for innovation and creation of knowledgeable workers has consistently been cited by company executives as a major factor in their decisions to expand or relocate to a particular state. The investments we are making today – particularly in the energy fields – are the types of investments needed to create jobs not just for today's workers, but also future generations.

The additional support for Ohio's Home Weatherization Assistance Program, for example, has successfully created 1,000 jobs and retained nearly 1,500 direct jobs as of December 31, 2009 – representing the type of investment needed to create good-paying jobs for our citizens. But in addition to these jobs, businesses across Ohio are bringing back employees or creating new positions to keep up with the demand created by the influx of Recovery Act dollars. As a result of the increase in insulation equipment orders from around the country, Ohio-based Krendl had to expand its workforce by 30 percent. One of Krendl's distributors, Applied Energy Products, Inc., increased its staff by almost 60 percent and small local businesses, such as Wayne Heating Air Conditioning & Plumbing, are hiring additional help to keep up with the work the company does for a number of the community action programs in Ohio.

Our state is also using the Recovery Act funding to expand training through the Ohio Weatherization Training Center (OWTC), which is operated by the Corporation for Ohio Appalachian Development (COAD). The Center's mission is to train all field staff in state-of-the-art techniques to identify cost-effective energy efficiency measures that will safely reduce the energy burden in all types of building structures.

The Center opened four regional training hubs in addition to the main site in Athens, Ohio. During the summer of 2009, the Ohio Weatherization Training Center trained almost 600 students – compared to previous years when it took the entire year to reach that many students. The Center will continue to train as many students as possible to keep up with the need for skilled weatherization crews, auditors, and inspectors.

Altogether, these programs exemplify the type of investments needed to grow not only promote industry-wide growth, but also create and retain jobs. The goal is to make investments that not only help our citizens today, but also build a foundation for success for future generations.

## **CONCLUSION**

The national and state economies demand both a rapid response and a strategic framework for future success. Our communities and our neighbors are looking to the Ohio Department of Development and the state to create opportunity more than ever – in many cases, with fewer resources. The Department has responded to these needs strategically, working on projects that capitalize on Ohio’s strengths, focus on areas of future economic growth, and promote a better way of life for our citizens.

With the Ohio Department of Development’s Strategic Plan as the foundation, we are working with our partners across the state and at the federal level to adapt to the changes in our economy with speed, ingenuity, and a long-term vision for economic growth. Not only have we tightened our belts to “live within our means,” our Department is continually utilizing funding from the American Recovery and Reinvestment Act and state programs to “invest in what matters.” We look forward to continuing to address these challenges with the support of the Congress to promote business growth, enhance our communities, and improve the quality of life for Ohio citizens at every economic level.

Chairman Ed Markey, Ranking Member James Sensenbrenner, Jr., and Committee Members, I appreciate this opportunity to speak to you about the Department of Development’s efforts and I would be happy to answer any questions.