



Department of Energy
Washington, DC 20585

WEATHERIZATION PROGRAM NOTICE 22-9
EFFECTIVE DATE: June 24, 2022

SUBJECT: Managing Multiple Funding Streams within the Weatherization Assistance Program

INTENDED AUDIENCE: WAP Grantee Program Managers, WAP Subgrantee Managers

PURPOSE: This Guidance serves to transmit information to the Weatherization Assistance Program (WAP) network on how to manage multiple funding streams within the Program.

Weatherization Program Notice (WPN) 22-9, Managing Multiple Funding Streams within the Weatherization Assistance Program, issued by the U.S. Department of Energy (DOE), serves to encourage Grantees and Subgrantees to be innovative in attracting other resources to support WAP projects and ensure maximum flexibility of each funding source.

This guidance assists Grantees and Subgrantees in distinguishing between leveraged funds that are braided and blended with WAP funding and how WAP funding can be effectively used with other funding sources.

SUPERSEDES: Weatherization Memorandum 035

RELATED GUIDANCE: WPN 22-9 supports Multifamily Weatherization (currently, [WPN 16-5](#)) and Weatherization of Rental Units (currently, [WPN 16-6](#)).

SCOPE: The provisions of this WPN apply to all WAP Grantees applying for financial assistance under the DOE WAP.

LEGAL AUTHORITY: Title IV, Energy Conservation and Production Act, as amended, authorizes the Department to administer the WAP ([42 U.S. Code § 6861](#), *et. seq.*). All grant awards made under this Program shall comply with applicable law and regulations including, but not limited to, the WAP regulations contained in the Code of Federal Regulations (CFR) at [10 CFR 440](#) and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at [2 CFR 200](#).

BACKGROUND: Many Weatherization programs use a combination of *federal and non-federal funds* to accomplish the scope of work on a unit.

Federal funds include, but are not limited to:

- DOE WAP formula funds
- DOE WAP competitive funds (SERC, E&I)
- Low-Income Home Energy Assistance Program (LIHEAP) funds
- Community Development Block Grant Program (CDBG)

Non-federal funds include, but are not limited to:

- Utility investments from systems benefit charges or efficiency programs
- State funds from special set-asides
- Other rehabilitation funds
- Private funds from landlord contributions or foundations
- Other private sources

DOE is increasing focus on braiding resources to weatherize a unit and is committed to increasing flexibility in WAP to enable deeper retrofits, increase savings, and deliver greater value for the taxpayer dollar across the country. DOE is actively addressing barriers, such as improving Federal interagency coordination efforts and facilitating expanded funding opportunities to:

- effectively identify and use all available funds to weatherize and increase the energy efficiency measures installed,
- reduce deferral rates, and
- improve equitable access to program services for the families it serves.

In 2010, at the request of multifamily providers, DOE expanded the options to fund measures by allowing building owners to fund portions of a measure, referenced as “buy downs” for multifamily buildings only. The “multifamily buy down” provision created flexibility for local programs to work with building owners to install measures that save energy, but do not achieve the required Savings-to-Investment Ratio (SIR) of 1.0. While this mechanism is only allowable in multifamily buildings, DOE identifies in this guidance additional mechanisms available in all housing types, aimed to increase savings and expand installation of measures, while remaining within the allowability of the Program’s statute and regulations.

In addition to materials already made available through peer-to-peer exchanges within the Grantee and Subgrantee networks, DOE will work with Federal Partners, through the ongoing Interagency Working Group collaboration, to create webinars and training tools (to be available on the WAP Learning Management System and uploaded to the DOE website). These materials

will provide examples of how various funding sources can be effectively used to meet the needs of low-income families. Estimated timeline: September 2022.

GUIDANCE: Local weatherization programs may receive funding from a variety of sources. While DOE funding may only be used to fund measures that meet the SIR of 1 or greater, and address certain types of repairs, other federal and other funding sources may be more flexible or have other criteria that must be followed. It is important to carefully consider each funding source so that all requirements are met, while also taking advantage of the flexibilities available from each source in its application to the home. The following guidance provides leveraging activities and funding descriptions and categorizations to assist in this process.

Leveraging Activities

Leveraging activities are defined as “*activities that support securing and administering non-DOE funding for weatherization*”.

For some Grantees, leveraged partnerships have been decades in the making. For others though, this is a new approach with few inroads already established. DOE recognizes the time investment required to build these partnerships. Therefore, DOE has made a provision allowable under WAP to help facilitate leveraging opportunities, if necessary. [10 CFR 440.14\(c\)\(6\)\(xiv\)](#) allows Grantees to use a percentage (up to 15% of their WAP allocation) of their grant to undertake leveraging activities which may provide additional funding or other resources to supplement Weatherization or be used to run a parallel program (regardless of who initiates the action).

Leveraging funds can be used by both the Grantee and Subgrantee to:

- Paying for agency staff or hiring consultant staff to explore and develop partnerships with utility companies and other entities that will generate non-federal resources for Weatherization.
- Oversight and administration of activities
- Hold meetings
- Facilitate matching funds
- Negotiate contracts, MOUs, etc.
- Develop program design
- Provide technical assistance

Grantees are encouraged to generate at least one non-Federal leveraging dollar for every DOE dollar expended.

Managing Leveraged Funds

Leveraged funds are defined as “federal and/or non-federal sources of funds secured with the intent of supplementing DOE WAP, where the funding source aims to achieve a certain objective

and allows the receiving (WAP) local provider to determine the individual recipient(s) of the measure(s)”.

There are three ways leveraged funds are handled within WAP – *braiding funds, blending funds, and co-funding*.¹.

1) *Braiding Leveraged Funds*

Braiding is defined as “multiple separate funding sources are used, including DOE WAP funds, on one weatherization project to address the different needs within the home, while ensuring each funding source is isolated and tracked independently”. Braided leveraged funds **are not included** in the WAP budget that Grantees submit to DOE in the application for annual formula funds.

- **Non-DOE, non-federal funding sources – Utility funds, State funds, etc.:**
 - Typically, individual measures are fully paid for by a single funding source, which may or may not be subject to a cost-effectiveness test, and the reporting requirements can be followed for that specific funder.
 - **Utility funds** may target a specific measure in a geographic location that may or may not be an allowable use of DOE funding.
 - Utility-based weatherization retrofits are generally installed during the WAP process and the costs/measures are often included in the client file (most often to verify measures called for in the audit were not “skipped” and instead, were installed using other funding streams).
 - These non-DOE, non-federal expenditures are not reported to DOE.
 - Subgrantees are responsible for tracking the use of different funding sources and the Grantee must monitor their Subgrantees to determine that funds are spent according to federal regulations and Grantee policies.
- **Additional DOE funding sources:**
 - Subgrantees can braid specific types of DOE funding allowing for deeper retrofits from the following sources:
 - **Sustainable Energy Resources for Consumer (SERC)** – competitive grants, made available when WAP appropriations are above \$275M;

¹ For those Grantees that are interested in environmental credits to meet state/local goals or for incentive programs those attributable to DOE-funded weatherization measures may be claimed by the entity providing the leveraged funds.

- **Enhancement & Innovation (E&I)** grant opportunities – competitive grants, up to \$25M, with the available funding directly related to appropriation funding levels.
 - **Weatherization Readiness Funds (WRF)**, distributed by formula to all WAP Grantees to align with Training & Technical Assistance (T&TA) distribution, first available in Program Year (PY) 2022, can be used to assist in addressing home repairs that are beyond incidental repair measures (IRM) to ensure a home is weatherized rather than deferred.
- **Please remember, braiding WAP formula funds with other funding sources** requires that the unit must be modeled using an approved energy audit system to accurately account for any architectural (envelope) and/or mechanical measures being installed that may affect the dwelling’s energy use, when applicable/practicable. This ensures compliance with [10 CFR 440.21\(d\)\(1\)](#), which requires the energy audit to account for the interaction of measures.

2) Blending Leveraged Funds

Blending is defined as “when multiple funding sources are combined or “blended” with the DOE funding, **are included** in the Grantee’s WAP budget and are not tracked independently by the Grantee”.

- Any blended funding sources **must be included** in the DOE WAP budget and all DOE WAP programmatic, technical and reporting requirements must be followed.
- DOE rules supersede the rules of other funding sources such as LIHEAP or utility funds **if included in the DOE budget**.

While an allowable activity, DOE recommends keeping other funding sources segregated from the DOE budget and “braiding” leveraged funds rather than “blending” them to maximize flexibility of the Program.

3) Co-funding with Leveraged Funds

Co-funding is defined as “when leveraged funds (not owner contributions) are utilized to install measures that do not have an SIR of 1 or greater”.

For simplicity, DOE recommends Grantees and Subgrantees use a single funding source on each measure. However, DOE recognizes there are instances when “co-funding” one measure with leveraged resources is in the best interest of the client. These are generally instances where an energy efficiency measure does not meet DOE’s cost-effectiveness rule. For example, a heat pump water heater replacement costs \$1,800. DOE’s eligible

investment to replace the heat pump water heater (and to meet the SIR of 1.0) is \$1,440. With available funding via the local utility, the difference (\$360) can be used to co-fund the replacement. Each funding source is charged accordingly and the breakdown of funding must be included in the client file.

Where DOE funds are used to co-fund a measure, the following must hold true:

- DOE funds may only be incorporated into the measure cost to the point of cost-effectiveness (e.g., if a furnace is cost-effective at \$2,800 but the full cost is \$3,800, installed, DOE funds can only support \$2,800 of the furnace cost and other funds must be used for the remaining \$1,000 balance).
- The co-funded measure(s) remain the last measure(s) in the package of measures that generates an SIR being installed to ensure the co-funded measure(s) do not “leapfrog” over other measures that are cost-effective on their own merit, causing them to drop off the installation list.
 - If the measure(s) is not the last on the list, the audit must be reviewed by the Grantee prior to implementation where the Grantee may elect to not allow the measure(s) or approve on a case-by-case basis.
- The package of measures, limited to the DOE investment, must meet the SIR of 1 or greater requirements.
- All installed costs must be documented in the client file.

Tracking Leveraged Funds

WAP’s responsibility to the leveraged funding source is to track those funds and ensure the funding use aligns with the original funding source’s purpose (e.g., funds designated to purchase high-efficiency furnaces; funds designated to purchase solar PV units at a discounted price to benefit low-income households; funds designated by a utility for measures but must be applied within the utility service area; etc.). Instances where a funding source retains the decision-making authority on individual/building recipient(s) is outlined in the multifamily section below.

MULTIFAMILY BUILDINGS ONLY

Multifamily Buy Down

A Multifamily Buy Down is defined as “funding that comes from a *private* interest and the funding source retains the decision-making authority in identifying the building being selected for installation of the measure(s).” This “multifamily buy down” option creates flexibility for multifamily buildings wherein programs may secure funding for a portion of the measure cost and only attribute to the DOE WAP formula grant the portion of the cost that achieves the SIR required by the WAP formula funding. These funds (along

with most landlord contributions) are generally directed to specific buildings, selected by the funding source, so are not considered “leveraged resources” as defined above.

- **A Multifamily Buy Down is only available in multifamily dwellings (including low-rise buildings with 2-4 units) because a “contribution” is required for a buy down to occur.** The statutory change in 1990 to allow for requiring contributions from landlords was only discussed in the context of multifamily buildings. Therefore, since the Statute did not address allowing Grantees to require financial participation from owners of single-family rental units (or owner occupied non-rental units), DOE does not allow contributions from single family rental owners (including owner-occupied non-rental units) (*58 FR 41, page 1216*). In order for measures to qualify for the buy down, the package of measures, including the full cost (the pre-buy down cost) of the measure which is to be bought down, must have an SIR \geq 1.0.
 - In the event there is a duplex where both units are renter-occupied, measures in both units are eligible for buy down if the package of measures at the pre-buy down cost has an SIR \geq 1.0.
 - If the duplex has one side that is renter-occupied and the other side is owner-occupied, only the renter-occupied side of the building is eligible for the buy down. The building owner would not be able to fund any measures to be installed in the owner-occupied unit. The owner must contract for those measures independent of WAP.
- **Landlord Contributions** – As noted above, DOE does not allow contributions from single family rental owners (including owner-occupied non-rental units) (*58 FR 41, page 1216*) and landlord contributions are only permissible in multifamily housing. DOE has not historically identified landlord contributions as leveraged funds because the funds have traditionally been attributed to the landlord’s scope of work/building. DOE recognizes each agreement is different but, as a guiding principle, if the landlord agreement includes the installation of measures that do not have an SIR \geq 1.0, then the landlord contributions would follow the auditing process identified in Multifamily Weatherization guidance (currently WPN 16-5: Multifamily Weatherization). As a reminder, in order for a measure to qualify for the buy down, the package of measures, including the full cost (the pre-buy down cost) of the measure which is to be bought down, must have an SIR \geq 1.0.
- In the event contributions are made by a landlord that exceed the agreement and there is no stipulation that the funds be expended on a specific building(s), then those funds would be considered *leveraged* funds and can be used following those guidelines instead.

CONCLUSION: When administering funds from multiple funding streams, Grantees and Subgrantees may decide to *braid*, *blend*, and/or use the resources for *co-funding* WAP measures. DOE’s aim is to encourage Grantees and Subgrantees to leverage other funds to increase the number of homes served and/or increase the number of measures (and repairs) WAP can perform on a home. This is possible through the many partnerships built at the federal, state, and local levels.

If you need additional information, please contact your respective DOE Project Officer.

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Energy Efficiency and Renewable Energy

ATTACHMENT 1: FREQUENTLY ASKED QUESTIONS

- **Should measures not funded with DOE grants be included in the energy audit model? Is it required?**
 - Yes, all energy saving measures not funded by DOE should be modeled as already existing in the residence, regardless of funding source. [10 CFR 440.21\(d\)\(1\)](#) requires the energy audit to account for the interaction of measures. Thus, the existing home should be modeled to include all measures being installed with other funding to ensure the audit accurately adjusts to account for the proper interaction of all architectural (envelope) and/or mechanical measures being installed.

- **What is the difference between a buy down and a co-funded measure?**
 - “Buy downs” are allowed only in multifamily buildings where owners identify a need for a building or project specific measure(s) and partially pay, or “buy down,” the measure(s) (e.g., furnace or boiler replacement or new fenestration) that saves energy but does not achieve an SIR of 1 or greater. The package of measures, including the full cost of all measures, must still achieve an SIR of 1 or greater.
 - “Co-funded” measures utilize leveraged resources (not owner contributions) to allow for installation of measures that do not have an SIR of 1 or greater. Co-funded measures are allowed in all housing types.
 - For more information, see the Weatherization Program Notice on Multifamily Weatherization (currently, WPN 16-5).

- **Can a DOE disallowed measure, such as a roof replacement, be included in the energy model, if DOE is not funding that specific measure?**
 - Yes. Additionally, if a non-DOE source funded the entire roof replacement it would not have to be included in the model unless the roof replacement included additional insulation, which would then interact with mechanical measures and other envelope measures. Only measures that affect the energy use of the building need to be included in the energy model of the home.

- **Can a program split the cost of a measure (e.g., furnace) within the DOE budget categories, so the DOE Health & Safety (H&S) funds are only used up to the point the measure meets the SIR of at least 1.0?**
 - No, Grantees may not split the cost of the measure across multiple DOE formula funding streams.

- **Can an income-eligible WAP client contribute funding to buy down or co-fund a measure?**
 - No. Contributions from eligible WAP clients are not permitted by statute.

ATTACHMENT 2: LEVERAGING EXAMPLES

An Energy Audit report with recommended measures for a low-rise multifamily building.

Energy Saving Measure Economics

<i>Index</i>	<i>Recommended Measure</i>	<i>Components</i>	<i>Measure Savings (\$/yr)</i>	<i>Measure Cost (\$)</i>	<i>Measure SIR</i>	<i>Cumulative Cost (\$)</i>	<i>Cumulative SIR</i>
1	IRM - Exterior roof and wall repairs to protect wall and attic insulation		0	10000	0.0	10000	0.0
2	Seal Ducts		124	1000	1.1	11000	0.1
3	Infiltration Redctn		231	4000	0.5	15000	0.2
4	Attic Ins. R-49	A1	1231	13977	1.8	28977	1.0
5	Refrigerator Rplcmnt		63	700	1.1	29677	1.0
6	Install/Replace Heatpump	HS1,HS2.AC1	997	12000	1.0	41677	1.0
7	Wall Insulation	WL1_S,WL2_W, WL3_N,WL4_E	313	7825	0.8	49502	1.0
8	Floor Ins. R-19	F1	218	8782	0.5	58284	0.9

Both the wall insulation (7) and floor insulation (8) do not meet the requirements to be funded solely with DOE WAP funds since their corresponding **Measure SIR are less than 1**. The wall insulation Measure SIR is 0.8 and the Floor Insulation (R-19) is 0.5.

The **wall insulation** has a **cumulative SIR² that is 1 or greater** and can be completed through either:

- Braiding resources by using other DOE, federal or non-federal funding sources to fund the wall insulation;
- Co-funding the measure by using both DOE and other funding source(s) with DOE grant charged only the costs that yield SIR of 1; or,
- Securing funds from the building owner (or other private source with an interest in this specific multifamily building) through a “Multifamily Buy Down.” Again, charging DOE only the costs supported by a measure SIR of 1

DOE restricts the use of DOE funding in Multifamily Buydowns to only those measures that have a cumulative SIR of 1 or greater (further outlined in the Multifamily Weatherization WPN, currently 16-5). In this example, since the **floor insulation cumulative SIR is less than 1**, the measure may **ONLY** be completed by either:

- Braiding resources by using other DOE, federal and non-federal funding sources to fund the floor insulation; or

² Cumulative SIR is the Savings to Investment Ratio of the entire package of Energy Conservation Measures (ECMs) being considered for the unit.

- Co-funding the measure by using DOE and other funding source(s) with DOE grant only paying for the cost that meets the SIR of 1 or greater.