



IMPLEMENTATION GUIDANCE FOR STATES:

HOME EFFICIENCY REBATE PROGRAM

February 2023

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The Home Efficiency Rebate program, previously known as "Home Energy Performance-Based, Whole Home Rebates," is a new program developed in the Inflation Reduction Act (IRA) that incentivizes whole-home retrofits in both single-family and multifamily dwelling units. Rebate amounts increase as energy savings increase and are doubled for low-income households. The funding will be allocated to state energy offices (SEOs) once they design and submit a DOE-approved state program plan. The sooner they design the program, the faster the rebates become available to constituents. This guide summarizes the program, details how SEOs can engage, and provides design suggestions to support increased impact and access among low-income households.

Program Details

The \$4.3 billion program will be distributed by formula, with state totals published [here](#). The rebates are available to homeowners, multifamily building owners, or aggregators.ⁱ In addition to the rebates tied to energy savings, there is also a contractor rebate of up to \$200 for a contractor that completes a Home Efficiency Rebate retrofit in a "disadvantaged community."

Exhibit 1. Home Efficiency Rebate Amounts

	Single Family	Low-Income Single Family ⁱⁱ	Multifamily	Low-Income Multifamily ⁱⁱⁱ
Modeled,^{iv} 20%–35% building-wide savings	Lesser of \$2,000 or 50% of project cost	Lesser of \$4,000 or 80% of project cost	\$2,000/dwelling unit; building maximum of \$200,000	Lesser of \$4,000/dwelling unit or 80% of project cost
Modeled, 35%+ building-wide savings	Lesser of \$4,000 or 50% of project cost	Lesser of \$8,000 or 80% of project cost	\$4,000/dwelling unit; building maximum of \$400,000	Lesser of \$8,000/dwelling unit or 80% of project cost
Measured,^v 15%+ building-wide savings	Savings rate multiplied by kWh saved or 50% of the project cost ^{vi}	Low-income savings rate multiplied by kWh saved or 80% of the project cost	Savings rate multiplied by kWh saved or 50% of the project cost	Low-income savings rate multiplied by kWh saved or 80% of the project cost

Additional details can be found in the legislative text, [Section 50121](#).

ⁱ An energy utility or commercial, nonprofit, or government entity that may receive rebates provided under a Home Efficiency Rebate program for a group of homes and/or multifamily buildings.

ⁱⁱ Low-Income is defined in legislative text as a household at 80% or below [area median income](#) (AMI).

ⁱⁱⁱ Multifamily low-income is defined as a multifamily building where 50%+ of the dwelling units are occupied by households at 80% or below AMI.

^{iv} Modeled performance requires the use of a BPI-2400 compliant energy modeling software to generate a base and proposed retrofit energy model that is calibrated to historical energy usage.

^v Measured performance rebates require the use of an approved open-source measurement and verification (M&V) software, such as OpenEE Meter. The measured performance approach does not technically require an energy model since the actual consumption pre- and post-retrofit is used to calculate rebates.

^{vi} Savings rate calculation: $\$2,000 / (\text{average home or multifamily building energy usage in kWh} * 0.2)$

Low-income savings rate: $\$4,000 / (\text{average home or multifamily building energy usage in kWh} * 0.2)$

Implementation Recommendations for States

Increase Impact

- **Do not use Home Efficiency Rebates to subsidize new fossil fuel appliances:** States can design the program so new fossil fuel appliances, including space and water heaters, clothes dryers, and gas ranges, do not count toward the home/building energy savings used to qualify for a rebate. Homes/buildings with fossil fuel appliances could still receive rebates if the energy savings are achieved in ways not including new fossil fuel appliances.

Pitfall avoided: Incentivizing new fossil fuel appliances in buildings locks in new fossil infrastructure for 10–20 years, which perpetuates known health risks associated with gas in buildings and prevents building emissions from lowering through a cleaner grid.

- **Encourage and inform incentive program stacking with Home Efficiency Rebates:** Collaborate with other state agencies and stakeholders to develop clear guidance for Home Efficiency Rebates that clarifies which federal, state, utility, and local incentives can be combined and how. Create contractor- and consumer-friendly one-stop-shop retrofit programs that: (a) enable consumers to understand the collective incentives available to them; and (b) simplify and consolidate reporting for the various state, utility, and local incentive programs. Further, consider mapping out which incentives are eligible for which sector of the population, and design implementation goals for the Home Efficiency Rebate program to serve households that are not properly served elsewhere.

Pitfall avoided: Most contractors and consumers are not aware of rebates and tax credits they are eligible for or how they could be combined. Clear guidance and a list of eligible incentives will help provide financing certainty, spurring more projects. The complexity, number, and different program elements and their reporting creates substantial administrative burden that discourages participation. Simplifying and consolidating reporting will reduce administrative burden, which can help increase adoption and delivery.

- **Include and regionally align minimum performance criteria:** State programs should include minimum equipment performance standards to ensure technology installed is appropriate and efficient. To maximize impact on the supply chain, these standards should be standardized among existing state and local incentive programs and consistent across climatic regions with other states.

Pitfall avoided: Contractors may not be motivated to install the most efficient equipment. Fragmented performance specifications send confusing market signals to manufacturers.

- **Utilize state administrative capacity as efficiently as possible:** States should inform DOE of the turnkey program resources and processes they want DOE to develop to minimize each state reinventing the wheel.

Pitfall avoided: States are allowed to use up to 20% of program funds toward administrative costs, reducing rebates available to consumers. The more states can rely on DOE resources to design and administer the program, the more households this program can touch.

- **Ensure contractor training effectively links with Home Efficiency Rebate program:** Rely on and tap into existing contractor networks, quality control standards, and outreach programs. Design state-run contractor training programs so they can effectively take advantage of Home Efficiency Rebates — keeping in mind that training should be designed to work for both single-family and multifamily retrofits. Further, states should analyze what the whole-home retrofit and energy modeling market looks like now, determine how much larger that market will get after this rebate program is implemented, and work with contractors, retailers, and distributors to make sure they are prepared.

Pitfalls avoided: Expertise and institutional knowledge should be leveraged to reduce confusion and maximize impact. With numerous rebates, tax credits, and incentives available to contractors and customers, impact will be greatest if funds are used to support preexisting relationships and structures already doing effective work. Further, by linking the contractor trainings to both the Home Efficiency and Electrification Rebate programs, we are ensuring contractors are familiar with the programs and can clearly explain the complex program to the homeowner and/or building owner.

- **Design the program to include both a measured and modeled pathway:** While states have ultimate authority to decide whether they want a measured-only or modeled-only pathway, states are encouraged to keep both pathways available, maximizing rebate access flexibility.

Pitfalls avoided: The market can innovate best when it has flexibility. While states may be apprehensive to design a measured performance pathway since that type of program isn't as common, it allows for new business models to enter the market that use performance-based contracts. Removing this ability could minimize uptake of this program.

Support Low-Income Access

- **Prioritize low-income households through metric setting:** Set measurable goals to spend at an absolute minimum 40% (to mirror Justice40 goals) of program funding on low-income households, with a goal closer to 60%–80%.

Pitfalls avoided: With [less than half of states](#) having metrics for serving low-income households through their energy efficiency programs, the majority of rebates currently go to middle- or high-income households, which continues to entrench inequitable systems. Further, low-income households can't take advantage of the Energy Efficient Home Improvement tax credits (25C) that support building retrofits due to lack of tax liability, while most middle-income and high-income households can. Since the tax credit funding is uncapped and this funding is not, more households can likely be upgraded overall if states prioritize low-income households for rebate programs.

- **Coordinate with state housing finance agencies:** State energy offices should engage with their state housing finance agencies early in the process before finalizing their plan.

Pitfalls avoided: Affordable housing finance stacking is incredibly complex, so this will ensure they are designing solutions that work for affordable housing and understand how well these new sources of funding would be able to layer into their deals.

- **Design financing that works for Low Income Housing Tax Credit (LIHTC) properties:** Provide a zero-interest, long-term loan option in lieu of rebates for affordable housing that uses LIHTC.

Pitfalls avoided: Under current policy, resources financed by federal rebates will either (1) count as taxable income to the partnership that owns the LIHTC property, substantially reducing the financial benefit of the rebate, or (2) reduce the eligible basis of the LIHTC property, decreasing the amount of LIHTC for which the property is eligible. Rebates in the form of zero-interest, long-term loans would not be treated as taxable income or reduce LIHTC eligible basis.

- **Re-evaluate low-income incentive levels:**^{vii} Allow low-income modeled projects to remove the per unit cost cap. Further engage with state housing finance agencies and low-income communities to determine if the 80% project cost cap is high enough to encourage retrofits for low-income projects.

Pitfall avoided: This allows projects that are more costly to fully benefit from this program and ensures the program effectively meets the needs of low-income homeowners and multifamily affordable building owners.

- **Provide low-income rebates up front:** For modeled savings, ensure rebates can be processed at time of installment. For measured savings, provide clear guidance to aggregators on best practices for incorporating future rebates into upfront cost savings for homeowners or building owners. This needs to be paired with strong consumer protections so that low-income households aren't stuck holding the bag if they are promised upfront discounts but the aggregator doesn't follow through with it.

Pitfall avoided: Providing rebates upfront limits cash flow burden and will encourage more households and multifamily buildings to participate. Waiting on verification and processing of a rebate may discourage many households from pursuing rebates through this program due to lack of upfront capital.

- **Minimize income documentation:** Identify and create a list of existing low-income federal and state programs that have the same or more stringent income requirements than the Home Efficiency Rebate program to allow households that have already qualified for these existing programs to receive categorical eligibility. Additionally, to minimize administrative burden, DOE should provide guidance on self-certification and income verification. To minimize fraud concerns, explore pairing self-certification with spot audits and high fines for violations.

Pitfalls avoided: Reducing paperwork will make it easier for low-income households to take advantage of programs and make it more likely for contractors to want to work with low-income households.

- **Require tenant protection:** States should consider developing guidance particularly for landlords that pursue these upgrades to ensure it doesn't result in inappropriate rent increases or tenant displacement. SEOs should task state consumer protection agencies to lead this work.

Pitfalls avoided: This gets ahead of unintended consequences of upgrading buildings and ensures tenants benefit from, instead of being penalized for, building upgrades.

^{vii} States are allowed to increase low-income rebates (if approved by Secretary).

Implementation Timeline

The DOE Office of State and Community Energy Programs will release a guidance document to support states' design of the program. DOE is legislatively mandated to provide states guidance relating to residential utility data-sharing and the definition of disadvantaged communities. States will have an opportunity to provide feedback to DOE before the guidance is issued through the RFI process, listening sessions, and other direct engagement.

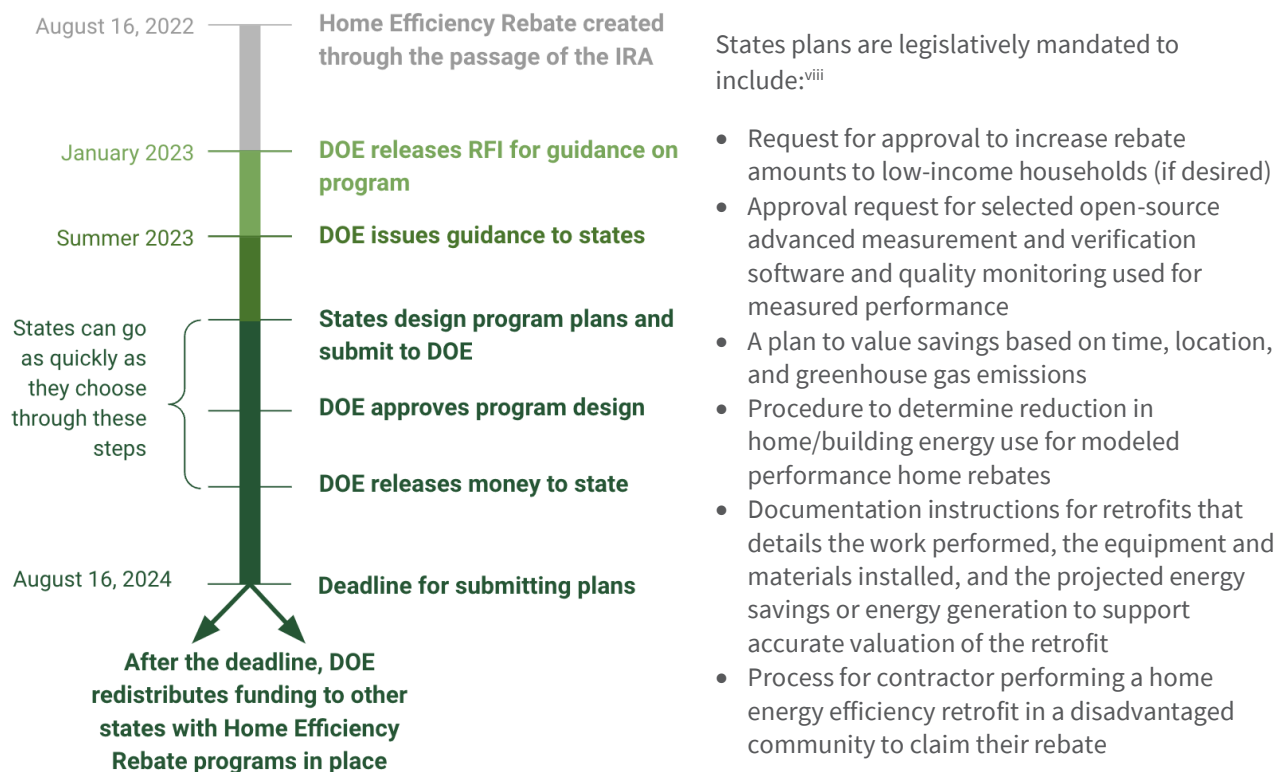


Exhibit 2. Timeline for program implementation

Importantly, the faster states design their Home Efficiency Rebate program, the sooner rebates will be made available to constituents, so states should start designing the program and engaging with DOE now.

^{viii} RMI has spoken to program implementers of other modeled and measured incentive programs and has additional recommendations for how to design these key elements in a state plan but believe this requires a deeper conversation not possible for this memo. Please reach out if you wish to discuss further.

Additional Resources

[DOE Home Energy Rebate Program Homepage](#)

[DOE Request for Information for Home Efficiency & Electrification Rebate Programs](#)

[DOE FAQ](#)

[Home Efficiency Rebate Program Calculator](#)

[AnnDyl Policy Group Summary of Program](#)

[Better Building Residential Network Summary of Program](#)