

CSPM 1501

Deferral Reduction Policy

EFFECTIVE DATE **January 1, 2023**
ISSUE DATE **January 1, 2023**

REFERENCES

- Deferral Reduction Grant Agreement

SECTION I: BACKGROUND

PURPOSE

The Michigan Legislature has funded MDHHS-BCAEO for a pilot health and safety fund grant program. This program was specifically funded in the Fiscal Year 2023 Michigan State Budget.

The creation of the pilot program shall be supported by a work group which may include representatives from the MDHHS, Michigan energy utility companies, residential energy efficiency and weatherization experts and companies, community-action agencies, low-income and affordable housing organizations, affordable housing owners and renters, and environmental and public health organizations.

Funds from the pilot program shall be used for construction, reconstruction, improvement, or repair of single-family and multifamily residential buildings to correct health and safety conditions that would require a deferral from participation in energy efficiency and weatherization programs targeted at low-income residential buildings.

These funds are rare and valuable to the network. BCAEO encourages Grantees to focus on helping the largest number of clients become Weatherization ready with these funds. BCAEO is requesting that Grantees track and report client success stories in this program where homes go from deferral conditions to fully Weatherized. Client success stories may be sent to MDHHS-BCAEO@michigan.gov at any time. BCAEO will likely reach out to agencies at the end of the fiscal year for client success stories.

SECTION II: PROGRAM IMPLEMENTATION

The Michigan Weatherization Assistance Program (WAP) has identified deferrals due to the condition of applicants' homes as a significant barrier to WAP implementation and expansion. These Deferral Reduction (WxDEF) funds exist to address the reason(s) for deferral so that Weatherization work can commence.

Grantees are responsible for ensuring that any relevant licenses are held by contractors, permits are pulled for projects, and relevant inspections were completed after the WxDEF work was performed. Grantees are also responsible to ensure that all items agreed to in contract language are followed.

Allowable Measures

- Measures that may be addressed to reduce deferrals without prior approval from BCAEO are as follows:
 - Duct installation or replacement, mold remediation, moisture control, knob and tube wiring issues, other electrical issues, grading, roof repair and replacement, structural issues, measures to meet SHPO requirements, gutters and downspouts, drainage system, sump pump installation, minor plumbing repair and replacement, pest control, ASHRAE related ventilation issues, asbestos encapsulation and remediation and radon testing and mitigation.
- Grantees may encounter reasons for deferral not included on the prior list. In these instances, the agency must submit a waiver to BCAEO describing the needed measure and other relevant details. Waivers must be submitted to MDHHS-BCAEO@michigan.gov, and the agency must receive pre-approval before work commences.
- Grantees must submit a pre-approval waiver to MDHHS-BCAEO@michigan.gov if any individual dwelling will require over \$25,000 in deferral reduction funds.
 - If during deferral reduction work, previously unidentified issues emerge that need correction which pushes the individual job cost to over \$25,000 the agency must include documentation in the client file detailing the original scope of work, emerging corrections, and projected scope of work for weatherization.
- All waiver pre-approval submissions must include an estimate of which Weatherization measures will be installed when the Weatherization work is performed. BCAEO understands that this will be an estimate as an actual energy audit may not have been conducted.

Reasonable Costs

Grantees must follow reasonable costs practices as outlined below, as well as their own internal procurement policy when procuring contractors and/or materials for this program.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when an entity is predominantly grant-funded. In determining reasonableness of a given cost, consideration must be given to:

- (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the entity or the proper and efficient performance of the award.
- (b) The restraints or requirements imposed by such factors as: Sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the award.

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- (c) Market prices for comparable goods or services for the geographic area.
- (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the entity, its employees, where applicable its students or membership, the public at large, and the State Government.
- (e) Whether the entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the grant's cost.

Documentation of Measure Installation

Pre and post photographs are required of all measures addressed under this program. Grantees are encouraged to utilize this method, at minimum, to verify work orders and completion. A Grantee may choose to keep job photographs on an agency system. The Grantee is responsible for supplying the photographs to BCAEO staff upon request and in a timely manner. Grantees that do not wish to store their photographs on an agency system must upload photographs to the FACSPRO client file or upload the photos into SharePoint. If utilizing the SharePoint option, the Grantee must email MDHHS-BCAEO@michigan.gov to notify BCAEO of the upload and in the email include the location in SharePoint.

As a component of verifications, Local Weatherization Operators (LWOs) are also encouraged to have Quality Control Inspectors verify WxDEF installations when they are onsite for the subsequent inspection for Weatherization.

SECTION III: ALLOCATIONS AND PLAN INSTRUCTIONS

The Deferral Reduction allocations are based on a formula using census data, proven capacity from FY22 WxDEF spending, as well as self-reported LWO capacity. \$1,800,000 will be available to eligible and participating LWOs for distribution for the period January 1, 2023 through September 30, 2023. Grantees shall prepare and submit Deferral Reduction documents in accordance with the guidelines below.

Work/Service Plan – Complete the plan in the Service Plan template for the period January 1, 2023 through September 30, 2023.

Expenditure Plan - Complete the expenditure plan in the Budget template following the allocation chart guidelines for the period January 1, 2023 through September 30, 2023.

Administrative & Support Costs

The administrative expense maximum for this program is 15% of the grantee's allocation. The admin maximum is indicated on the allocation chart. All charges that would typically be included in the Support cost category in WAP are also included in the administrative expense category in WxDEF. For this reason, this cost category's name has been changed to Admin & Support to reduce confusion in FY23.

Program (Labor & Materials) Costs

The program specific cost minimum is 85% of the allocation. Program specific costs can be thought of as what would typically be included in the Labor & Materials cost category in WAP. Specifically, they are:

1. Wages and fringe benefits related to the installation of WxDEF measures.
2. Materials purchased for the installation of WxDEF measures.

All program costs must be tied to a direct assist of a client and reconcile with the costs documented on the WRF Fund Screen under **WRF Fund 1** measure costs.

If a CAA has received a notice of de-designation, they are not eligible for supplemental funding programs, including WxDEF. In this case, the funding for the service area of a CAA in process of de-designation will be administered in that service area by an alternate CAA or other entity to be determined by BCAEO.

SECTION IV: REPORTING

Agencies must follow the instructions in the FACSPRO guide.

In FY23, these measures will be tracked in the WRF screen under WRF Fund 1 in WxPro instead of the separate System Program that they were tracked in during FY22. See the FACSPRO guide for further details.

Due to the importance of these funds, information must be entered in FACSPRO in real time. Additionally, BCAEO will request information from Grantees more frequently than the monthly standard SOE reports.

SECTION V: ELIGIBILITY GUIDELINES

To receive deferral reduction funding, clients must be eligible for weatherization, have a weatherization application completed in FACSPRO, and have a home that would be deferred through the normal WAP. Dwellings that receive WxDEF funds must be Weatherized through the WAP. Agencies must strive to ensure that all jobs receiving WxDEF funds continue on through Weatherization completion. Strategies to encourage this may include (but are not limited to):

1. Treating the WxDef work as part of the whole package of Weatherization work when discussing with the client.
2. Having clients ensure, through signature, that they will not alter their home and will allow all work to be conducted on the home from WxDEF through QCI.
3. Reducing, as much as possible, the amount of time between WxDEF work and Weatherization work.

For eligibility determinations under the WAP, please see CSPM 601 and 701.

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Generally, Deferral Reduction work is expected to take place before the Weatherization work order is developed. If the Deferral Reduction work will take place simultaneous with Weatherization work, the agency must ensure that the Deferral Reduction work conducted would not have a significant impact on the Weatherization work order. During a typical WAP job, some timeline rules are formulated between the eligibility determination and energy audit conducted during (see CSPMs 601 and 606). The following policies will supersede those timeframes when WxDEF work is taking place:

Substitute for timeframe from CSPM 601: “Re-certification, the redetermination of a household's income eligibility, must occur at least every 12 months from the eligibility date, if the **deferral reduction work** has not yet been initiated.”

Substitute for timeframe from CSPM 606: “Grantees must complete the weatherization of a home within 6 months of **completing the deferral reduction work**. Jobs that are not completed within 6 months of **completion of deferral reduction work** require an additional, up to date, energy audit to be performed.”

Exceptions to queue order

In instances where the WxDEF repair must take place at a different time during the Weatherization job, that is allowable with the following items considered:

- The Weatherization job must be completed within 6 months of the energy audit or deferral reduction work closing, whichever is earlier; and
- If the WxDEF repairs significantly affect the energy audit for Weatherization work, the energy audit must be rerun considering the changes

SECTION VI: FUNDING

Reallocations may take place at any time depending on the needs for a region, the capacity of the grantee, and overall program demand. BCAEO reserves the right to re-allocate funds from participating agencies to ensure the maximum amount of assistance is provided statewide.

SECTION VII: WORKGROUP

The work of this project is supported by a Deferral Reduction work group as described in Purpose above. Please see Attachment A to this CSPM for the bylaws of the work group.