

Small Contractors Await 'Cash for Caulkers'

The House may pass the Home Star Energy Retrofit Act on May 6, but construction companies banking on energy upgrades still need the Senate to vote

By [John Tozzi](#)

Dan Thomsen spent a decade refurbishing and flipping houses in Los Angeles until the real estate market collapsed in 2008. With no remodeling work, the 45-year-old contractor switched gears and got certified to do home energy audits and insulation upgrades. He had hoped to take advantage of the so-called cash for caulkers plan—promised government incentives for homeowners to make their houses more energy-efficient.

Thousands of other contractors around the country had the same idea early last year when the White House and Congress started talking about payments for weatherizing homes. Since then, they've been waiting on Congress to pass a rebate plan. While the House is expected to vote on the legislation on May 6, the Senate isn't likely to consider it before mid-June. For Thomsen, who last year hired two workers and charged more than \$30,000 for training and new equipment on his credit card, lawmakers can't act too fast. "The missing cog is the financing," he says.

The House bill makes \$6 billion in rebates available for homeowners to pay for as much as half the cost of new windows, insulation, furnaces, and other improvements that save energy—up to \$8,000 per house. One of the bill's provisions is that homeowners must hire contractors who have been certified to do such jobs. The number of contractors certified by one of two industry groups, the [Building Performance Institute](#) and [RESNET](#), has more than doubled since 2008, to about 12,800.

ABYSMAL UNEMPLOYMENT

Adapting houses to use less energy may be the best hope for the 3.3 million small businesses and solo contractors who dominate America's construction industry, a sector that has lost 2.1 million jobs since the peak of the housing bubble. The unemployment rate in the construction industry was 24.9% in March, according to the Bureau of Labor Statistics, compared with 9.7% overall. The cash for caulkers plan, formally known as the [Home Star Energy Retrofit Act](#), is expected to create 168,000 jobs, according to sponsor Rep. Peter Welch (D-Vt.), citing a McKinsey study.

The reality of green jobs has not yet lived up to the hype. On the campaign trail, President Obama pledged to create 5 million green jobs by spending \$150 billion over 10 years. The stimulus package passed in February 2009 included \$90 billion for clean energy. Less than \$40 billion of that had been spent through the first quarter, creating an estimated 104,000 jobs, according to a [report](#) by the Council of Economic Advisers.

"The numbers are low because getting the money out is very slow. That's the part that has not gone as well as anyone would like," says Robert Pollin, an economist at the University of Massachusetts, Amherst, and an adviser to the Obama Administration. He says rebates for home retrofits would speed job growth. "You get very fast payoffs, it creates a lot of jobs, and you could do it in every community in the country," Pollin says.

WHY SUBSIDIES ARE KEY

There's little market demand for energy retrofits without subsidies, say contractors and experts in the field. Sealing up a house and upgrading inefficient appliances often costs between \$7,000 and \$9,000—a tough sell when home values have fallen. Incentives from cities, states, and utilities have proved effective. National numbers are hard to track, but in New York state, one of the largest programs, retrofits increased to 6,300 in 2009, from 2,600 five years earlier.

Still, the growing industry of home retrofitters is banking on a national program to catalyze demand. Matt Golden, the 35-year-old founder of [Recurve](#), a San Francisco green builder, calls it a "frozen tidal wave." Golden, who is the policy chairman of retrofitting

advocacy group [Efficiency First](#), says the thousands of contractors entering the market are wagering that cash for caulkers will drive demand. "We need to create work for these people we're training, or else we're in trouble," he says.

The bill, which has support from environmental groups and the construction industry, is expected to pass the House. Contractors, though, remain in limbo as homeowners hold off until they're certain they'll get rebates. Thomsen has done 35 energy audits in Los Angeles in the past six months, but he has gotten only three retrofitting jobs—work that brings in \$8,000 to \$12,000, compared with less than \$1,000 for audits. "When I jumped in, everybody said [the incentives] were going to take effect in six months," Thomsen says. "Now it's going to be a year and six months."

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