

MICHIGAN ENERGY ASSISTANCE ACT

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Senate Bill 1135 (Substitute H-3)

Sponsor: Sen. Bruce Caswell

House Committee: Energy and Technology

Senate Committee: Energy and Technology

Complete to 12-12-12

A SUMMARY OF SENATE BILL 1135 AS REPORTED BY HOUSE COMMITTEE

The bill creates a new act to be called the Michigan Energy Assistance Act. Under the bill, the Department of Human Services (DHS) would have until October 1, 2013, to establish and administer the new Energy Assistance Program statewide to provide energy assistance to eligible households—which are defined as those with a household income of not more than 150% of the federal poverty guidelines. The program could use funds from federal energy assistance programs, as well as any collected or appropriated funds, to fund the program. DHS would have to distribute these funds for energy assistance, though a portion of the funds could be used for necessary administrative expenses (calculated using an established cost allocation methodology). The act would not apply after September 30, 2016.

Energy Self-Sufficiency

The program would be required to include services that enable participants to become or move toward becoming self-sufficient, including assisting participants in paying their energy bills on time, assisting participants in budgeting for and contributing to their ability to provide for energy expenses, and assisting participants in utilizing energy services to optimize on energy efficiency. Contracting entities would have to provide or coordinate these services by October 1, 2014. DHS would be required to attempt to coordinate its efforts with the efforts of other state departments or agencies to assist low-income households in becoming or moving toward becoming self-sufficient.

Application

The bill would require the DHS to develop a simplified, single application for all applicants to use to apply for assistance under the program. The single application would be made available to all entities that contract with the department to provide services.

Use of Funds

DHS could only use money from the Low-Income Energy Assistance Fund for energy assistance, but could also use the fund for the program's crisis season, which is defined in the bill as the time period from November 1 to May 31 each year. Not more than 30% of program funds could be spent outside of the crisis season.

Contracts

DHS, in consultation with the Public Service Commission, could contract with public or private entities or local units of government to provide energy assistance. All contracts would have to include clear performance metrics. Any entity that contracts with DHS would be required to use at least 92% of the funds received for energy assistance. However, with DHS approval, entities could use only 90% of funds received for energy assistance.

Definition of Crisis

The bill provides a definition of the term "crisis" to mean one or more of the following: (1) an individual or recipient has received a past due notice on an energy bill for the household; (2) a residential fuel tank is estimated to contain not more than 25% of its heating fuel capacity, (3) a stated need for deliverable fuel or a nontraditional fuel source in which there is no meter or regular energy bill provided; and (4) a notice that the balance in a pre-payment account is below a minimum amount.

Report to Legislature

By December 1, 2014 and annually thereafter, the department would have to provide a report to the Legislature, the Senate and House Appropriations subcommittees on the department budget, the Senate and House committees on issues related to energy, and the Senate and House Fiscal Agencies on how money from the newly created program was distributed.

FISCAL IMPACT:

Senate Bill 1135 could generate short-term administrative costs to the state to revise the current energy assistance programs. The costs would include training, policy development, application revisions, and information technology revisions. These costs would be 100% state funded, as the state already allocates the maximum allowable amount of federal LIHEAP funds for energy assistance administration. Senate Bill 1135 may change who is eligible for energy assistance and what types of assistance a group is eligible for, but the bill will not increase or decrease how much funding is available for energy assistance as that will still be determined through the annual appropriations process.

BACKGROUND INFORMATION AND BRIEF DISCUSSION OF THE BILL:

Currently, the state provides crisis energy assistance through the State Emergency Relief (SER) program to eligible households. SER is primarily funded with federal Low-income Home Energy Assistance Program (LIHEAP) funds. Under the proposed FY 2012-13 LIHEAP State Plan and current DHS policy, to be eligible for SER - crisis energy assistance, a household needs to have a shut-off notice or a past due notice; have net income less than 150% of the federal poverty level; agree to use cash assets in excess of \$50 to help resolve the emergency; have made the required energy payments over the past 6 months; and the SER assistance will resolve the issue for at least 30 days. FIP, FAP, and SSI recipients automatically meet income eligibility and required energy

payment requirements. The state establishes annual SER payment limits per household by energy type. The state also contracts with non-state entities to provide supplemental energy services.

Senate Bill 1135 would provide a replacement for the now defunct Low Income and Energy Efficiency Fund (LIEFF), which, for approximately a decade, provided assistance with heating costs and weatherization for low-income residents before the state Court of Appeals Court questioned the authority of the Michigan Public Service Commission to administer the LIEFF funds. In response, the Legislature established the Vulnerable Household Warmth Fund to provide assistance for the 2011-2012 heating season. Thus, the bill is needed in order to continue to fund programs that will assist those in need to pay home heating costs.

The Energy Assistance Program created by the bill would focus on providing services in such a way as to promote self-sufficiency, such as learning how to set up household budgets, paying bills on time, and being responsible for a portion of their energy needs based on their income levels. The bill also makes some important changes from past energy assistance programs, such as allowing people to access assistance before falling behind in their energy bills, getting a shutoff notice, or having their gas, other heating fuel, or electricity shut off. Reaching people before they experience a crisis is expected to reduce costs to all state residents by reducing costs incurred by the utilities and families in need when utilities are turned off and then reinstated. Another change is that all state funds would be restricted to energy assistance. Energy programs could still offer help to weatherize homes, but would have to use federal money or money from other revenue streams to fund those initiatives. The bill would also allow low-income residents who use alternative fuel sources, such as corn pellets or cherry pits, to access assistance under the Energy Assistance Program.

Reportedly, a pilot project conducted by DTE that incorporates similar program parameters as envisioned for the bill's Energy Assistance Program is seeing great results. For example, DTE reports that there is a 90 percent default rate for those receiving low-income assistance because they often run into trouble a few months later and experience another disconnection of service. However, the demonstration group experienced only a 10 percent default.

However, some still feel that at least a portion of the state funds should be allowed to be used for weatherization assistance, as that quite literally plugs the holes that keep money spent on heating from going out the window. In addition, some would like to see the energy program serve residents year-round, not just in the coldest months. As an example, they cite this past summer, which was one of the hottest on record. Many vulnerable adults and children are at risk for heat stroke and therefore could benefit from help with summer cooling costs.

POSITIONS:

SEMCO Energy indicated support for the bill. (12-12-12)

DTE Energy indicated support for the bill. (12-12-12)

Michigan Association of United Ways indicated support for the bill. (12-12-12)

The Michigan Environmental Council indicated support for the bill. (12-12-12)

The Michigan Catholic Council indicated support for the bill. (12-12-12)

Michigan 2-1-1 indicated support for the bill. (12-12-12)

AARP provided written testimony in support of the bill. (11-27-12)

The Michigan Department of Human Services indicated support for the bill. (11-27-12)

Consumers Energy indicated support for the bill. (11-27-12)

The Michigan Community Action Agency Association indicated support with minor changes such as providing year-long assistance to help with cooling needs. (11-27-12)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.