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BILL ANALYSIS

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Senate Bills 1134 and 1135 (as introduced 5-22-12)
Sponsor: Senator Mike Nofs (S.B. 1134)
Senator Bruce Caswell (S.B. 1135)
Committee: Energy and Technology

Date Completed: 5-29-12

CONTENT

Senate Bill 1134 would amend Public Act 3 of 1939, the Public Service Commission (PSC) law, to do the following:

-- Create the "Low-Income Energy Assistance Fund" and require the Department of Human Services (DHS) to spend Fund money as provided in the Michigan Energy Assistance Act (proposed by Senate Bill 1135).
-- Require the PSC to approve an annual home energy assistance funding factor (a surcharge) to be included on an electric customer's bill.
-- Require an electric utility or alternative electric supplier (AES) that collected the factor to remit the money for deposit into the Fund on a monthly basis.
-- Limit the amount of the factor collected each fiscal year to $60.0 million, minus the amount appropriated from the General Fund for home energy assistance.

Senate Bill 1135 would create the "Michigan Energy Assistance Act" to do the following:

-- Require the DHS, by October 1, 2012, to establish and administer the Michigan Energy Assistance Program for eligible low-income households.
-- Require the Program to include services enabling participants to move toward energy self-sufficiency.
-- Allow money in the proposed Low-Income Energy Assistance Fund to be used during the Lower Peninsula's crisis season.
-- Limit the amount of Program funds spent in the Lower Peninsula outside of the crisis season to 30%.
-- Require the DHS to contract with public or private entities or local units of government to provide energy assistance.
-- Require a contracting entity to use at least 92%, or, with DHS approval, 90%, of the Program funds it received for energy assistance.

The proposed Act would not apply after September 30, 2016.

Senate Bill 1134 is tie-barred to Senate Bill 1135.

Senate Bill 1134

The bill would create the Low-Income Energy Assistance Fund within the State Treasury. The State Treasurer could receive money or other assets from any source for deposit into the Fund. The State Treasurer would have to direct the investment of the Fund, and credit to it any interest and earnings. Money in the Fund at the close of the fiscal year would remain in the Fund and would not lapse to the General Fund (GF).

The DHS would be the administrator of the Fund for auditing purposes. The Department could spend Fund money, upon appropriation, only as provided in the proposed Michigan Energy Assistance Act.

After notice and hearing, the PSC annually would have to approve a home energy assistance funding factor by July 31 of each year. The amount collected from the factor during each fiscal year could not exceed $60.0 million minus the amount appropriated from the GF in that fiscal year for home energy assistance. An electric utility or AES that collected money under the bill would have to remit it to the State Treasurer for deposit in the Fund within 30 days after the end of each calendar month. The utility or AES would have to list the factor as a separate line item on each customer's bill.

"Home energy assistance funding factor" would mean a nonbypassable surcharge on each meter payable by every customer receiving a distribution service from an electric utility, regardless of the identity of the customer's electric generation supplier. The factor could not be charged on more than one meter per residential site.

Senate Bill 1135

Under the proposed Act, by October 1, 2012, the DHS would have to establish and administer the Michigan Energy Assistance Program statewide to provide energy assistance to eligible low-income households.

"Energy assistance" would mean a government program to help an eligible low-income household pay home heating and cooling bills. "Eligible low-income household" would mean a household with a household income of not more than 150% of the Federal poverty guidelines.

The DHS could use funds received from a Federal energy assistance program and any funds collected or appropriated to fund the proposed program. "Funds" would mean money received from the Federal Low-Income Home Energy Assistance Program block grant that is not used for the home heating credit, money received from the Fund proposed by Senate Bill 1134, or any other money appropriated for the Michigan Energy Assistance Program.

The Program would have to include services that would enable participants to become or move toward becoming energy self-sufficient. By October 1, 2014, each entity that contracted with the DHS under the proposed Act would have to provide these services. The DHS would have to attempt to coordinate efforts to assist in achieving energy self-sufficiency through the Program with efforts to assist in achieving self-sufficiency through the Department's or other State department's housing assistance programs.

The DHS would have to develop a simplified, single application for all applicants to use to apply for energy assistance under the Program. The application would have to be made available to all entities that contracted with the DHS to provide services under the Program.

The DHS could not use money from the proposed Low-Income Energy Assistance Fund for weatherization or self-sufficiency services in the Program. Money from the Fund could be used for the Program's crisis season in the Lower Peninsula, which would begin on November 1 and end May 31 each year. The Upper Peninsula would not have a crisis season under the Program. A maximum of 30% of the Funds received for the Program could be spent outside of the crisis season in the Lower Peninsula. The DHS would have to implement these provisions over a two-year period.

The DHS, in consultation with the PSC, could contract with different public or private entities or local units of government to provide energy assistance to eligible low-income households. The DHS would have to include clear performance metrics in any contract. Except as otherwise provided, an entity with which the DHS contracted would have to use at least 92% of the funds received from the Department for energy assistance. Upon approval from the Department, the entity could use less than 92% but not less than 90% of the funds for energy assistance.

Proposed MCL 460.9t (S.B. 1134) Legislative Analyst: Julie Cassidy

FISCAL IMPACT

Senate Bill 1134 would allow the State to appropriate up to $60.0 million GF/GP to the Low-Income Energy Assistance Fund. The amount appropriated each year would be subject to variation, however. The DHS could realize some administration expenses in order to implement the Fund differently between the Upper and Lower Peninsulas, as described in Senate Bill 1135, but these costs are indeterminate.

The bills would have no impact on local units of government.

Fiscal Analyst: Frances Carley
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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.