

Legislative Analysis



HOME HEATING CREDIT AND WEATHERIZATION PROGRAM

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<http://www.house.mi.gov/hfa>

Senate Bill 647 (H-1) as reported from House committee

Sponsor: Sen. Dale Zorn

House Committee: Tax Policy

Senate Committee: Finance

Complete to 5-10-18

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 161 of 2018)

BRIEF SUMMARY: Senate Bill 647 would amend the Income Tax Act to extend the use of a determination that partially sets the amount of federal Low Income Home Energy Assistance Program (LIHEAP) money to be used for a weatherization program. The bill would also allow the Department of Health and Human Services (DHHS) to request that claimants of the home heating credit provide the Department of Treasury with information necessary for DHHS to comply with the federal requirements for the LIHEAP block grant.

FISCAL IMPACT: To the extent that the provisions of the bill require the Department of Treasury to collect and disseminate additional information received from claimants, the bill would increase administrative costs for the department by an unknown, but likely minimal, amount. Any cost increase likely would be absorbed under current appropriation levels.

THE APPARENT PROBLEM:

Federal LIHEAP money is allocated to states and used to support low-income individuals with their heating and energy costs. In Michigan, it provides funds for the Home Heating Credit. Additionally, the money is used for a weatherization program operated through the Michigan Department of Health and Human Services (DHHS). Reportedly, in years past, the amounts allocated for weatherization have fluctuated. This made it difficult for local community action agencies, who receive the funds and use them to weatherize qualifying individual's homes, to implement the program.

In 2014, legislation was passed that set a floor for the amount of LIHEAP money to be used for weatherization. The intent was to provide community action agencies with consistency and predictability in funding. The floor, however, was only in effect for fiscal years 2014-15 through 2016-17. Legislation has been introduced to extend the use of this funding floor, and require reporting in order to assess the outcomes of the weatherization program.

THE CONTENT OF THE BILL:

Currently under the Income Tax Act, an eligible claimant can claim a credit for heating costs used for the claimant's homestead, commonly called the Home Heating Credit. The credit is only allowed if there is a federal appropriation of Low Income Home Energy Assistance Program (LIHEAP) block grant funds. If the amount of the block grant funds available for the home heating credit is less than the full home heating credit amount, each

individual credit is prorated. “Amount available for the home heating credit” is the sum of the federal LIHEAP block grant allotment and any carryforward, minus the amount for administration, crisis assistance programs, and weatherization.

Under the bill, for tax years after the 2017 tax year, a credit would not be allowed unless the claimant provided the Department of Treasury with all of the information, as requested by DHHS, necessary to comply with the requirements of the federal LIHEAP block grant. The Department of Treasury would disclose this information to DHHS. The confidentiality restrictions found in Section 28 of the revenue act, Public Act 122 of 1941, would not apply to this disclosure.

A claimant who is eligible for the credit is also determined for eligibility for home weatherization assistance, and must accept the weatherization assistance if available.

The amount to be used for weatherization is partially determined by the amount of federal LIHEAP grant funds received in the current fiscal year in proportion to the immediately prior fiscal year, as follows:

Amount of LIHEAP grant funds received in proportion to immediately prior fiscal year	Weatherization amount
Greater than or equal to 90%	At least \$6.0 million, but not greater than 15% of total LIHEAP grant funds received.
Less than 90%	At least \$5.0 million, but not greater than 15% of total LIHEAP grant funds received.

This determination is in effect in statute for the fiscal years 2014-15 through 2016-17.

Under the bill, the determination would be used through fiscal year 2021-22.

Additionally, the bill would require DHHS to submit a report on the operation and effectiveness of the home heating and weatherization assistance programs and any recommendations regarding the programs to the chairpersons and vice-chairpersons of the Senate and House appropriations committees, tax and finance committees, and energy- and technology-related committees. This reporting would begin by July 1, 2018 and continue each July 1 thereafter.

MCL 206.527a

HOUSE COMMITTEE ACTION:

The House Tax Policy committee adopted and reported out an H-1 substitute to Senate Bill 647, which added the requirement that a claimant must provide the Department of Treasury

with the information necessary to comply with federal LIHEAP block grant requirements, as requested by DHHS, for a credit to be allowable after the 2017 tax year. The H-1 substitute also included related requirements regarding the Department of Treasury's disclosure of that information to DHHS, as described above.

ARGUMENTS:

For:

Community action agencies are often the recipients of the weatherization funding. They operate the programs, with activities ranging from the coordination of energy audits, solicitation of construction bids, and post-installation inspections. This process can be complex and time-consuming. Setting a floor for funding in statute will give these agencies a level of consistency, allowing them to most effectively and efficiently operate the program.

For:

The weatherization money is money well spent. It directly hires local contractors who perform a variety of energy-related home upgrades and installations, such as windows, doors, and insulation. The dollars are reinvested in local communities. Additionally, when an individual receives weatherization improvements, he or she is far less likely to need future emergency utility bill support.

Against:

No arguments opposing the bill were offered in committee.

POSITIONS:

Representatives of the Monroe County Opportunity Project testified in support of the bill. (4-25-18)

Representatives of the following entities indicated support for the bill:

Michigan Department of Health and Human Services (5-2-18)

Michigan Department of Treasury (5-2-18)

Michigan Energy Innovation Business Council (4-25-18)

Michigan League for Public Policy (4-25-18)

Sierra Club (4-25-18)

Michigan Community Action (4-25-18)

Michigan Environmental Council (4-25-18)

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