



STATE OF MICHIGAN  
DEPARTMENT OF HUMAN SERVICES  
LANSING

RICK SNYDER  
GOVERNOR

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August 20, 2012

Honorable Bruce Caswell, Chair  
Senate Appropriations Subcommittee on DHS  
Michigan State Senate  
Lansing, Michigan 48933

Honorable David Agema, Chair  
House Appropriations Subcommittee on DHS  
Michigan House of Representatives  
Lansing, Michigan 48933

Dear Senator Caswell and Representative Agema:

Sections 1103 (1) and (2) of 2011 Public Act No. 63 require the Department of Human Services to establish a work group to develop a more efficient way to administer State Emergency Relief, Low Income Home Energy Assistance Program and Weatherization, and report the findings of the work group by April 1, 2012.

The department report is attached. If you have any questions about the attached material, please contact Brian Rooney, director, Policy and Compliance at 335-4655.

Sincerely,

A handwritten signature in black ink that reads "Susan Kangas".

Susan Kangas  
Chief Financial Officer

cc: Senate and House Appropriations Subcommittees on DHS  
Senate and House Fiscal Agencies  
Senate and House Policy Offices

***SEC. 1103 (1) THE DEPARTMENT SHALL ESTABLISH A WORK GROUP TO DEVELOP A MORE EFFICIENT WAY TO ADMINISTER STATE EMERGENCY RELIEF, LOW INCOME HOME ENERGY ASSISTANCE PROGRAM, AND WEATHERIZATION. THE WORK GROUP SHALL INCLUDE, BUT NOT BE LIMITED TO, THE DEPARTMENT AND MEMBERS OF THE LEGISLATURE.***

The work group was brought together in August of 2011 and included participants from all of the following organizations:

- Members and staff of the Michigan Legislature
- The Michigan Department of Human Services
- The Michigan Department of Licensing and Regulatory Affairs
- The Michigan Public Service Commission (MPSC)
- The Michigan Community Action Agency Association
- Consumers Energy
- DTE Energy Company
- SEMCO
- HDC Community Services Manager
- The Heat and Warmth Fund
- Heart of West Michigan United Way
- United Way of Southeastern Michigan
- The Salvation Army
- True North
- Michigan Electric Cooperative

***(2) BY APRIL 1, 2012, THE DEPARTMENT SHALL REPORT TO THE SENATE AND HOUSE APPROPRIATIONS SUBCOMMITTEE ON THE DEPARTMENT BUDGET, THE SENATE AND HOUSE FISCAL AGENCIES, AND THE SENATE AND HOUSE POLICY OFFICES ON THE FINDINGS OF THE WORK GROUP.***

The Energy Assistance Workgroup was chaired by Senator Bruce Caswell. Workgroup members reviewed all aspects of the energy assistance system by mapping the current process. As part of the process mapping, the group identified key issues to be addressed in recommending a new model. The following key issues were identified:

I. Process

- A. The current process of energy assistance does not fully distinguish between chronic or temporary need; single process forces inefficiency into system.
- B. In many cases, assistance is provided too late to prevent chronic crisis and promote self-sufficiency.
- C. Customers stay in a crisis situation and payment loop. The repeated use of this loop causes crisis funds to be used by the same group of customers.
- D. Multiple application process is not streamlined and is not cost-effective.

II. Accountability

- A. Lack of incentive for positive action by customers.
- B. Customers are not held accountable for responsible usage, which causes high utility bills, shutoff risks, and repeated requests for assistance.

III. Affordability

- A. There is a group of customers that will always find the charges and arrears unaffordable.
- B. Some low-income customers are unable to afford their energy costs and stay in crisis.
- C. Rates are not income-based, thereby creating a higher energy burden (percentage of income) for low-income customers. (Avg. 35% vs. Avg. 7-8%)
- D. Too many people requesting assistance receive a temporary solution rather than a long-term solution.
- E. Unable to share data that impacts process across all concerned parties.

IV. Measure Success

- A. Current system does not measure outcomes, cost efficiency, or support data-driven quality management.

In November of 2011, the workgroup presented recommendations and proposed a new model for Michigan's energy assistance program to Senator Caswell and other stakeholders. The following 10 recommendations were proposed by the workgroup:

1. Recommend adopting the proposed three-track energy assistance model for the allocation of energy funding and services to Michigan citizens in crisis.
2. Recommend a workgroup consisting of DHS, community service agencies and utility companies to design a short screening tool to support the identification of customers into the appropriate assistance track in the proposed model.
3. Recommend the use of existing IT systems to enable the sharing of data between organizations for screening, participation monitoring and federal reporting of the new model.
4. Recommend the LIEEF fund be replaced by a new utility rate-payer fund to pay for a portion of the Extended Energy Assistance (EEA) program.
5. Recommend the LIHEAP funds be reorganized where the Home Heating Credit (HHC) is replaced with an alternative program that could include EEA, weatherization and other energy programs.
6. Recommend the redesign of the statewide Energy Optimization program to ensure funding is available for services such as energy audits, weatherization, and expanded energy education. Identify ways to reduce administrative costs by reducing the reporting requirements in the program. This recommendation may require amendments to P.A. 295.
7. Recommend the elimination of the option for citizens to receive cash back from the initial use of their HHC energy drafts. If a citizen receives a HHC energy draft and is unable to use all the funds for his/her current need of energy assistance, the remaining funds should be kept in an energy voucher for the citizen or applied to future energy use by their utility service provider.

8. Recommend the MPSC review the Winter Protection Plan to improve or eliminate the program.
9. Recommend the MPSC, DHS, Michigan State Housing Development Authority, and public housing authorities (local and regional) partner in the creation of a pilot program to address the large utility use in HUD Section 8-funded rental units. The program would engage utility customers who have ongoing utility assistance needs. These customers would be long-term stable residents of Section 8-funded rental units or project-based multifamily units with substandard housing issues. This pilot would include weatherization education, financial incentives for landlords and renters who work to weatherize the rental unit and decrease overall utility use.
10. Recommend the MPSC clarify the current direction on the use of utility limiter-type devices as a means to manage utility use and responsible payment. MPSC also to clarify the current direction on the use of repaid metering, which would allow customers to gain knowledge and control over their usage while supporting the utilities in their collection efforts.

### **Conclusion**

DHS is supportive of a new model for energy assistance/crisis assistance in the State of Michigan and conceptually supportive of most of the recommendations made by the workgroup. The department's primary concern is ensuring equitable client assistance across the state or across the variety of energy providers. DHS serves clients statewide; some heat their homes with cherry pits, wood, etc. For this reason, the model must encompass a "fourth" track for populations outside Michigan's large, urban centers to ensure the department's ability to assist clients statewide.

DHS is supportive of funding heating assistance and preventive services with the goal of reducing the number of households that end up in crisis or with heating emergencies. All public benefits and services should work together, efficiently, to provide short-term assistance and to remove barriers to self-sufficiency, and not to create dependency. The idea of comprehensive case management is critical not only to the issue of energy assistance but also to optimizing all public benefit programs.