

Report on the Low-Income Home Energy Assistance Program

In Compliance with 2000 PA 141, MCL 460.10s

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MICHIGAN PUBLIC SERVICE COMMISSION
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

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Introduction

Section 10s of the Customer Choice and Electricity Reliability Act (CCERA) , 2000 PA 141, MCL 460.10s (the Act), requires the Michigan Public Service Commission (MPSC or Commission) to “monitor the extent to which federal funds are available for low-income and energy assistance programs.” It continues, “if there is a reduction in the amount of the federal funds available to residents in this state, the commission shall conduct a hearing to determine the amount of funds available and the need, if any, for supplemental funding. Upon completion of the hearing, the commission shall prepare a report and submit it to the governor and the legislature.”

The Commission learned in February 2012 that the amount of federal funds available for the Low-Income Home Energy Assistance Program (LIHEAP) may be reduced compared to the prior year. As a result, on April 17, 2012, the Commission issued an Order and Notice of Hearing (Case No. U-16978) and scheduled a legislative-style public hearing to receive comments. Interested parties participated in the proceeding. This report is submitted in compliance with the Act.

On February 13, 2012, President Obama released his proposed budget for fiscal year (FY) 2013. The budget included a total allocation of \$3.02 billion for the Low-Income Home Energy Assistance Program (LIHEAP), designed to assist low-income households, particularly those with the lowest incomes. Of the \$3.02 billion, \$2.8 billion are regular program funds and \$200 million are emergency funds. The total funding is \$450 million less than the FY 2012 level of \$3.47 billion and \$1.7 billion less than the \$4.7 billion funding for 2011. In the proposed budget, Michigan-specific LIHEAP funding data is also facing a potential decrease that is troublesome. According to the Campaign for Home Energy Assistance, total LIHEAP funding

for Michigan declined from a high of \$276.5 million in FY 2011 to \$173.4 million in FY 2012. The President's proposed 2013 budget estimates Michigan LIHEAP funding at \$137.3 million.

The table below illustrates Michigan's total LIHEAP funding from 2011 to 2013, assuming the President's proposed budget is enacted:

Year	2011	2012	2013 (Proposed)
Total:	\$276 million	\$173 million	\$137 million

Source: US Department of Health and Human Services, LIHEAP Clearinghouse

On May 14, 2012, the Commission held a public hearing in Lansing for Case No. U-16978. The purpose of the hearing was to provide the opportunity for public opinions and comments regarding the decline in federal funding for low-income and energy assistance programs. During this hearing, Co-Chair of the Coalition to Keep Michigan Warm, Sharon Theroux of Michigan Community Action Agency Association and Co-Chair of the Coalition to Keep Michigan Warm, Whitney Skeans of Consumers Energy and Tammy Rodriguez of the Michigan Department of Human Services each spoke on the issue, before Administrative Law Judge Mark E. Cummins.

Comments regarding this docket continued to be collected until May 29, 2012. The following people and organizations submitted statements, either electronically or through the mail:

- David Chaffee; Petoskey resident
- David Gard; Energy Program Director of the Michigan Environmental Council
- Gilda Jacobs; President and CEO of the Michigan League for Human Services
- Joan Leshley; Director for Energy Services, Oakland Livingston Human Service Agency

¹The figures presented in this table for 2011-2012 are from the US Department of Health and Human Services, LIHEAP Clearinghouse available at http://www.acf.hhs.gov/news/press/2011/fy11apr_liheap_funds_cr.html. The Federal and State amounts are gross appropriations. The state amounts are net of tribal set-asides. The figures for the President's proposed budget for 2012 are from the HHS Administration for Children and Families available at <http://www.acf.hhs.gov/programs/olab/budget/2012/cj/LIHEAP.pdf>.

- Mary A. Wilkins, MSW; Assistant Social Services Director of The Salvation Army - West Michigan and Northern Indiana Division
- Frank Zaski; Concerned Citizen and former MPSC 21st Century Energy Plan participant, Michigan Climate Action Committee, Residential, Commercial and Industrial, Technical Work Group (RCI TWG) and the Midwest Governors Association Renewable Energy Advisory Group.
- James Crisp; on behalf of the Michigan Community Action Agency Association (MCAAA)

Congressional Appropriation Bills and Continuing Resolution

Since the MPSC hearing, the U.S. Senate Committee on Appropriations provided a summary for the approved Fiscal Year 2013 Labor, Health and Human Services, Education, and Related Agencies Appropriations Bill. It includes a \$3.472 billion allotment for the Low Income Home Energy Assistance Program, the same level as fiscal year 2012.

The House Appropriations Committee also released its Labor, Health and Human Services Funding Bill. It recommended funding the Low Income Energy Assistance Program at \$3.4 billion in Fiscal Year 2013. Again, this is the same level as provided in fiscal year 2012.

According to the National Energy Assistance Directors Association (NEADA), both bills use different formulas. The House draft would designate all \$3.4 billion by the program formula with no changes and would also allow up to \$2 million to be spent on training and technical assistance, down from \$3 million in fiscal year 2012. Similarly, the NEADA says the Senate bill would provide the same level of funding as the House but would set aside \$100 million for emergency funds, in addition to the \$3 million in training and technical assistance funds.² Of the remaining \$3.37 billion in formula funds, \$2.89 billion would go through the “hold harmless” or “Tier One” portion of the formula, and \$482 million would pass through the Tier Two formula. Current law limits Tier One to \$1.975 billion.

In November of 2012, the Department of Health and Human Services made available a total of \$3.068 billion in FY 2013 LIHEAP block grants under the current Continuing Resolution

² NLIEC News, July, 2012, www.nliec.org/NLIEC%20News,%20July%2031,%202012.pdf.

which runs through March 27, 2013. The overall funding formula used the same distribution used in FY 2012.

Low-Income Home Energy Assistance Program Structure

The primary source of Michigan's low-income energy assistance fund is LIHEAP, a federal block grant program authorized by the Omnibus Budget Reconciliation Act of 1981, 42 USC 8621(a). The purpose of LIHEAP is "to assist low-income households, particularly those with the lowest incomes, who pay a high proportion of household income for home energy, primarily in meeting their immediate home energy needs."

LIHEAP, administered by the United States Department of Health and Human Services (HHS), provides states and Native American tribes with grants to help low-income households in four areas:

1. Grants to assist low-income households in paying energy bills.
2. Emergency funds released by the President when there are natural disasters, high energy prices, or other situations resulting in the need for special assistance.
3. Residential Energy Assistance Challenge (REACH) grants funding new initiatives or strategies to assist low-income households to reduce their energy burden.
4. Leveraging grants to encourage states to raise non-federal funds for energy assistance.

HHS allocates funding to states for LIHEAP based on a formula incorporating, among other factors, the number of low-income households, heating degree days, and home heating costs. Congress must approve these yearly allocations. The President has authority to dispense emergency funds when crisis situations arise; however, these funds are not necessarily released every year.

Each year, the Michigan Department of Human Services (DHS) develops a proposal for Michigan's allocation of the fund that must be approved by HHS. The year-to-year funding designated to Michigan varies based on the total amount of LIHEAP funds appropriated by Congress. Of the gross funding HHS allocates, a portion is set-aside for Native American tribes³ and the remainder is distributed to other eligible low-income households.

Michigan Allocations

Michigan uses its LIHEAP allocation for three initiatives: the Home Heating Credit (HHC), administered by the Michigan Department of Treasury; the State Emergency Relief Program (SER), utility crisis assistance administered by DHS; and the Weatherization Assistance Program (WAP), administered by local Community Action Agencies.⁴ According to the LIHEAP Clearinghouse, in 2011 Michigan had approximately 664,000 LIHEAP-eligible households.⁵

Home Heating Credit

The HHC, created by Public Act 458 of 1978, is a refundable credit designed to assist low-income families with the cost of heating their homes. Eligibility for the Michigan HHC is 110 percent of the federal poverty level (FPL). However, if the state used the maximum federal eligibility guidelines (i.e., the greater of 60 percent of state median income or 150 percent of the FPL), over 1.2 million Michigan households would qualify for assistance. The eligibility requirements state that, if a household receives heating assistance from DHS or a nonprofit organization in the 12 months prior to the receipt of its HHC, the heat provider will apply the credit to any outstanding balance on its account. If, after nine months, a refund balance still

³The tribal set-aside allocations to Michigan for FY 11 and FY 12 were \$892,080 and \$1,021,119, respectively.

⁴Under 42 USC 8624 states may use up to 15 percent of LIHEAP funds for weatherization. Additional funds for weatherization are available from the U.S. Department of Energy (DOE) Weatherization Assistance Program, 42 USC 6861.

⁵U.S. Department of Health and Human Services Administration for Children and Families, <http://liheap.ncat.org/>.

remains on account with the heat provider, the heat provider will issue a refund. If a household has not received heating assistance in the past 12 months, the heat provider will first apply the credit to any outstanding balance on the account and then issue any remaining balance as a refund.

A recipient who has service from a (nonparticipating) provider, or who has paid for deliverable fuels in advance, may receive the HHC in the form of a check. Likewise, eligible recipients who pay for utility service as part of their rent receive the HHC as a direct payment.

The credit is based on the number of exemptions for which the household is eligible. Michigan law requires HHCs to be prorated or uniformly reduced to ensure the expected amount of total credit payments does not exceed the available federal funding. In the past few years, claimants have received only a percentage of their credit each year: 80 percent for 2003, 76 percent for 2004 through 2006, 53 percent for 2007, 65 percent for 2008 and 2009, and 52 percent for 2010 and 2011.

According to the *2010 Home Heating Expenses Report* prepared by the Office of Revenue and Tax Analysis in the Michigan Department of Treasury, “About 491,400 taxpayers received a total of \$69.8 million in home heating credits in tax year 2010. This represented an increase of 6,700 credits over the 2009 level, with \$19.0 million (21.4 percent less) in heating assistance provided to low-income families. The average credit for 2010 of \$141.94 was 22.5 percent lower than the 2009 average credit of \$183.09. The decline reflects the 20 percent reduction in the proration percentage, from 65 percent to 52 percent.

A total of 74,300 taxpayers used the alternative calculation based on energy consumption. Filers using the alternative calculation claimed credits worth \$23.8 million (about 34.1 percent of all home heating credits). The average credit under the alternative credit was \$320.42 compared to \$106.00 under the standard calculation. A total of 417,100 taxpayers used the standard

calculation, claiming \$46.0 million in credits (about 65.9 percent of all home heating credits).”⁶

Weatherization Assistance Program

The Weatherization Assistance Program (WAP) provides free home energy conservation services to low-income Michigan homeowners and renters. The goal of this program is to reduce energy use and lower utility bills. Services typically include wall insulation, attic insulation and ventilation, foundation insulation, air leakage reduction, smoke detectors, and dryer venting. Services are administered by local Community Action Agencies and nonprofit organizations. Eligibility is based on household income being at or below 200 percent of the federal poverty guidelines. Recipients of Department of Human Services payments or Supplemental Security Income automatically qualify for the program.

State Emergency Relief Program

SER, or crisis assistance, provides help to households with an income of up to 60 percent of the state median income, or \$44,060⁷ for a four-person family during FY 12.⁸ A qualifying low-income customer who faces an emergency, such as a utility service shut-off, a declared need for a deliverable fuel, or an energy related home repair, may receive a SER grant.

During fiscal year 2011, SER benefits of more than \$179 million were provided, resulting in 250,875 Michigan households receiving benefits. As of April, 2012 there was an annual fiscal year cap for benefits paid per household of \$850 in delivered fuels, and \$450 for natural gas and electricity.

The Salvation Army has been aiding with the energy assistance needs of low-income Michigan households since the late 1800s. In comments submitted in Case No. U-16978, the

⁶ 2010 Home Heating Expenses Report, Office of Revenue and Tax Analysis Michigan Department of Treasury, July 2012, http://www.michigan.gov/documents/treasury/hhc_by_HeatExpenses_rpt_2010_392036_7.pdf.

⁷ Estimated state median income for a 4-person family for FY 12 is \$73,433.

⁸ Michigan Department of Human Services, Community Services Policy Manual, Poverty Income Guidelines, Item 208, January 27, 2011, http://www.michigan.gov/documents/dhs/CSPM_200_Series_215128_7.pdf.

Salvation Army points out that, “a pattern of decline in funding for this need is both concerning and impactful.” Through PeopleCare (a partnership with Consumers Energy), state grant assistance, and a variety of other resources, The Salvation Army has served an average of 20,000 households annually with \$8 to \$9 million each year.

The Salvation Army also testified:

Of those households which seek assistance from The Salvation Army, 97% have a household member who would be considered vulnerable; i.e., a minor child, a senior citizen, or a disabled person. Sixty-seven percent (67%) of those seeking assistance have not sought assistance from The Salvation Army in three years or more, if ever. Of those we serve, at least 80% are receiving assistance through DHS’ State Emergency Relief Program (SER) in the current year, and this assistance has been insufficient to resolve the household’s crisis. This heating season, in spite of a warmer than normal winter, we have seen the average energy bill payment assistance from The Salvation Army climb 39% over last year due in part to the reduction in LIHEAP funding.

Additional comments echoed the sentiments of the Salvation Army. Over 660,000 Michigan households benefitted from LIHEAP funding in 2011 a third of those receiving assistance are elderly, one-fifth include families with children under five years of age and nearly a fifth are people with disabilities. Written comments also submitted to the docket shared that Michigan’s low-income residents spend a higher proportion of their income on utilities than higher income groups.

Almost universally, assistance agencies commented that each year, demand for energy assistance far exceeds available funding, including the most recent heating season when Michigan experienced warmer than average temperatures. Numbers were provided by the Coalition to Keep Michigan Warm for the state’s major regulated utilities. All utilities reported a steady increase in the number of low-income households among their customers and that participation in income-qualified plans has increased greatly. All public comments submitted reflected the need to develop and continue funding programs that help LIHEAP recipients

control energy costs. The public comments submitted also discuss a need for programs to include educating recipients on energy saving methods and assisting with weatherization.

All written comments are filed in the MPSC Docket No. U-16978, located on the MPSC website: www.michigan.gov/mpsc.

Recommendations

The Michigan Public Service Commission recommends that the Legislature and the Governor continue efforts to persuade Congress to at least maintain the current levels of LIHEAP funding. During this period of Michigan's economic recovery, the Commission recognizes the challenge to meet the energy needs of the state's low-income working families and senior-households is critical. Reduced LIHEAP funding creates a hardship and forces low-income families and seniors to spend a significant percentage of their income on energy needs.

As a result of the research conducted and in consideration of the comments submitted, the Commission deems at least maintaining the current level of LIHEAP funding essential. Many Michigan citizens require assistance funded through this program, evidenced by the depletion of funds in previous years. While LIHEAP is most commonly associated with appropriations toward bill-payment, it is also utilized in an effort to find avenues of prevention, to one day relieve the necessity for such funding.

In 2012, the Michigan Public Service Commission supported a resolution adopted by the National Association of Regulatory Commissioners urging Congress to increase funding for LIHEAP programs.⁹ The Michigan Public Service Commission has taken steps, and will continue to take steps, to urge Congress to at least maintain current levels of LIHEAP funding for the sake of the state's low-income residents.

⁹ <http://www.naruc.org/Resolutions/Resolution%20on%20LIHEAP%20Funding2.pdf>.