



# EMPOWERING FAMILIES THROUGH AFFORDABLE ENERGY

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For many families with low incomes, housing comes with high energy bills. An affordable rent or mortgage payment often means living in a home with outdated heating and cooling systems, sparse insulation, leaky windows or other structural issues that lead to energy waste. High energy bills can push housing costs into the unaffordable realm and diminish health. As the COVID-19 crisis continues to stress families' health and finances, strengthening household energy security is more important than ever to ensure safe housing for all Michiganders and promote thriving communities.

## Michigan's Energy Landscape

Housing, including utilities, is generally considered affordable when it costs no more than 30% of household income. Michigan families living below 50% of the federal poverty level (FPL), however, spend more than that on energy bills alone.<sup>1</sup> Difficulty paying for energy needs isn't limited to the families with the very lowest incomes.

Households up to 200% of the Federal Poverty Level (FPL) face a gap of \$1,315 per year between actual energy bills and what they can afford to pay.



Source: Fisher Sheehan & Colton, Home Energy Affordability Gap 2020.

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Before COVID-19 emerged, help with utility bills was consistently one of the most common reasons people contacted Michigan 2-1-1<sup>2</sup>, a free service that connects state residents to local resources for a variety of basic needs. Even though energy providers suspended disconnections to vulnerable customers for the first few months of the pandemic and have worked to connect them to assistance and affordable payment plans, Michigan 2-1-1 has received more than 55,600 calls from people seeking help with electric bill payment as of May 1, 2021.<sup>3</sup>

Federal and state programs fund a credit to offset winter heating bills, emergency relief for households facing an arrearage or imminent utility shutoff, assistance with budgeting, and weatherization services to improve energy efficiency. These vital supports, however, are chronically underfunded: the federal Low Income Home Energy Assistance Program, for example, reaches fewer than 1 in 6 Michigan households who meet the income eligibility requirements.<sup>4</sup>

## Household Energy Security is Critical to Housing Stability

Utility shutoff is the main reason for rental property condemnations in Michigan,<sup>5</sup> meaning tenants who can't pay their energy bills often face eviction—a frequent precursor to homelessness. Utility disconnection and eviction can both trigger the loss of some types of rental assistance, including Housing Choice Vouchers. To avoid literal homelessness, families that can't afford their energy bills may have to move into overcrowded homes or couch surf, which are both conducive to the spread of contagious illnesses and create other school- and work-related challenges.

## Energy Inequity by Housing Type, Race and Ethnicity

Home energy burden (the share of income spent on energy bills) varies by housing ownership status, race and ethnicity. These disparities are due in large part to historical and ongoing systemic factors that disproportionately leave families with low incomes and people of color with fewer housing options that are both high-quality and affordable.

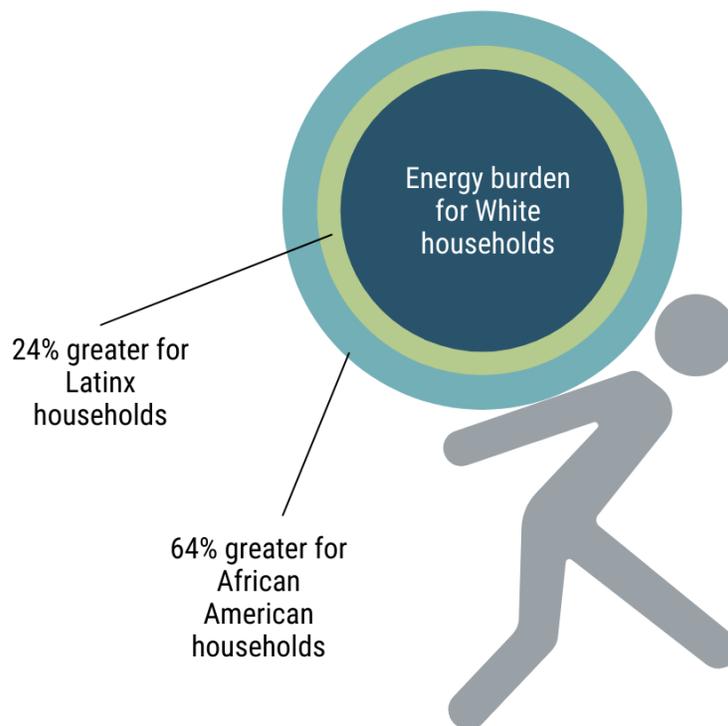
Energy bills for renters living in multifamily apartment buildings are an average of 20% higher per square foot than for owners living in single-family homes.<sup>6</sup> This can contribute to a higher overall housing cost burden for renters, placing them at higher risk for eviction and frequent moves that can interfere with school and work.

At the same time, renters have lower access to energy efficiency measures that could reduce their utility bills, improve their health and stabilize their housing situations. Landlords may not want to take on the cost of efficiency improvements if energy bills are in tenants' names. Furthermore, in multifamily buildings, all living units, common areas and building-wide systems must be addressed in order for individual families to see a meaningful benefit.

In the past, racially restrictive covenants, discriminatory zoning ordinances and redlining in the real estate and banking industries and federal homeownership programs forced families of color into low-quality rental housing in neighborhoods of concentrated poverty. This prevented these families from building wealth and passing it on, preserving housing and economic inequity long after the removal of explicit racism from our laws. This discrimination continues in the more contemporary forms of subprime lending, predatory land contracts and dubious tax foreclosures that extract wealth from families of color and deny them the homeownership opportunities available to White families.

We can see evidence of this today in the fact that, while White households consume more energy overall, African American and Latinx families live in less-efficient homes and consume more energy per square foot.<sup>7</sup> The continuing combination of lower incomes and lower-quality housing requires households of color to spend a larger share of their income on energy bills than White households do.<sup>8</sup>

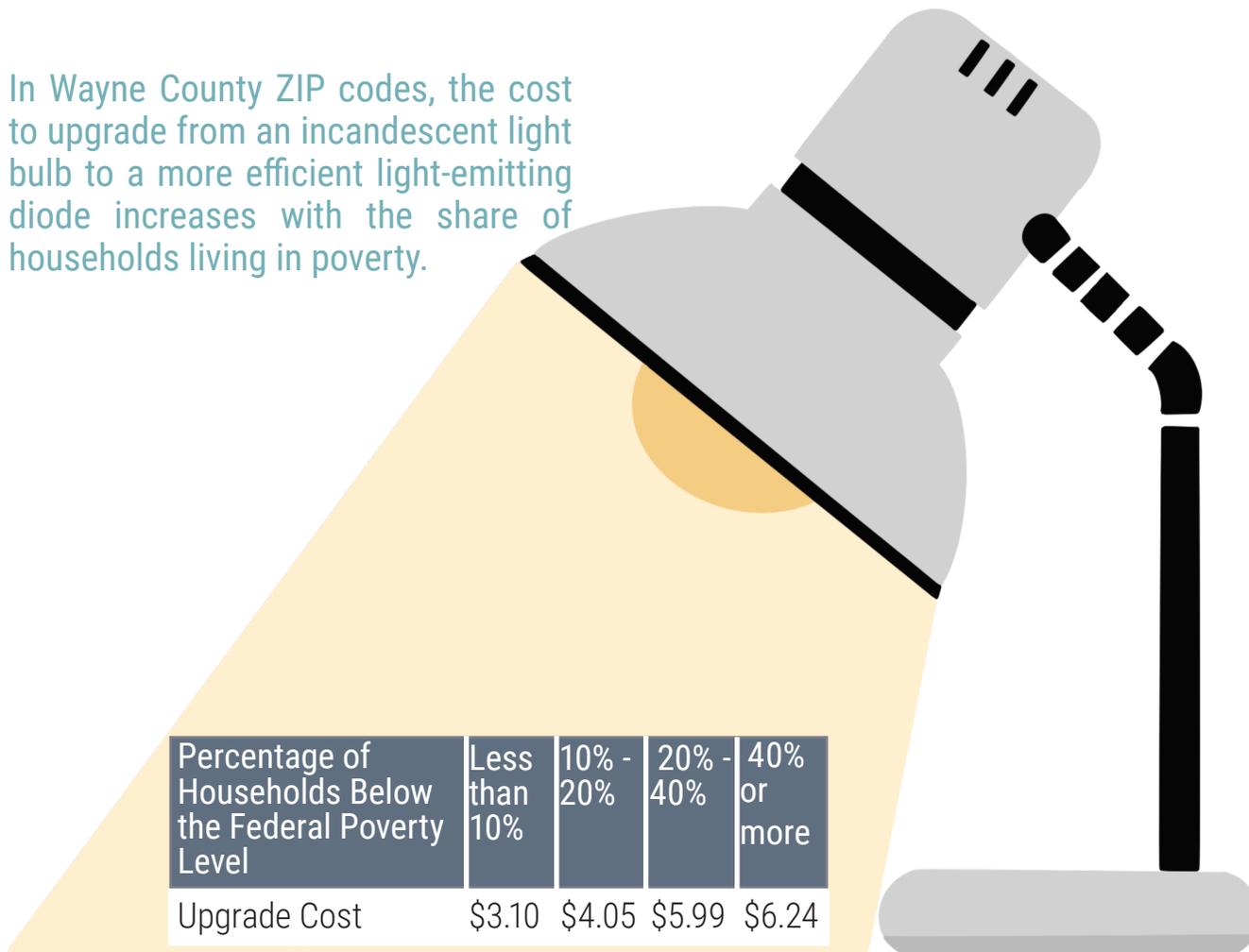
### Share of Household Income Spent on Energy in Largest U.S. Metro Areas, by Race and Ethnicity



Source: American Council for an Energy Efficient Economy and Energy Efficiency for All.

Broader economic forces can prevent utility customers with low incomes from taking advantage of even the simplest measures to reduce their home energy use and lower their bills. For example, energy-efficient light bulbs are more widely available and less expensive at big box stores, which are typically located in more affluent areas. Residents of high-poverty neighborhoods must rely on smaller retailers like corner stores and pharmacies, which cannot offer the wide variety and low prices of large retailers.<sup>9</sup>

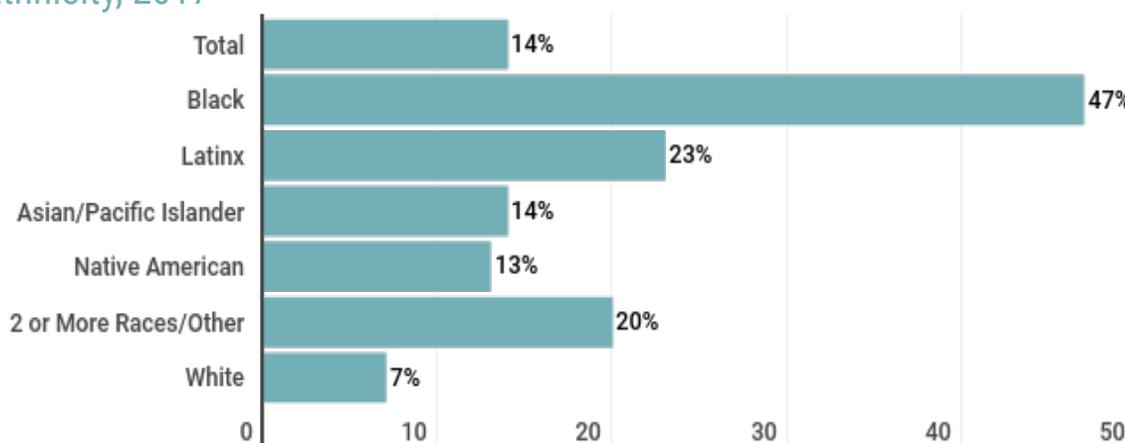
In Wayne County ZIP codes, the cost to upgrade from an incandescent light bulb to a more efficient light-emitting diode increases with the share of households living in poverty.



Source: Reames, T.G., Reiner, M.A., & Stacey, M.B. (2018). An incandescent truth: Disparities in energy-efficient lighting availability and prices in an urban U.S. county.

Due to these same economic forces, Michiganders of color are more likely to live in high-poverty neighborhoods with low access to energy-efficient products like light bulbs—another factor contributing to their higher energy burden.

### Percentage of Michiganders Living in High-Poverty Neighborhoods by Race and Ethnicity, 2017



Source: [National Equity Atlas](#)

## Plugging into Health and Well-Being

Affordable energy makes quality housing attainable and helps families avoid budget tradeoffs that threaten their health and safety. Lower energy bills and healthier living conditions save lives and promote academic achievement and economic security.

### Affordable Energy is Essential to:



Safe home temperature



Healthy diet



Medication storage



Household cleanliness



Personal hygiene



Powering home medical equipment



Productive work/study



Child care

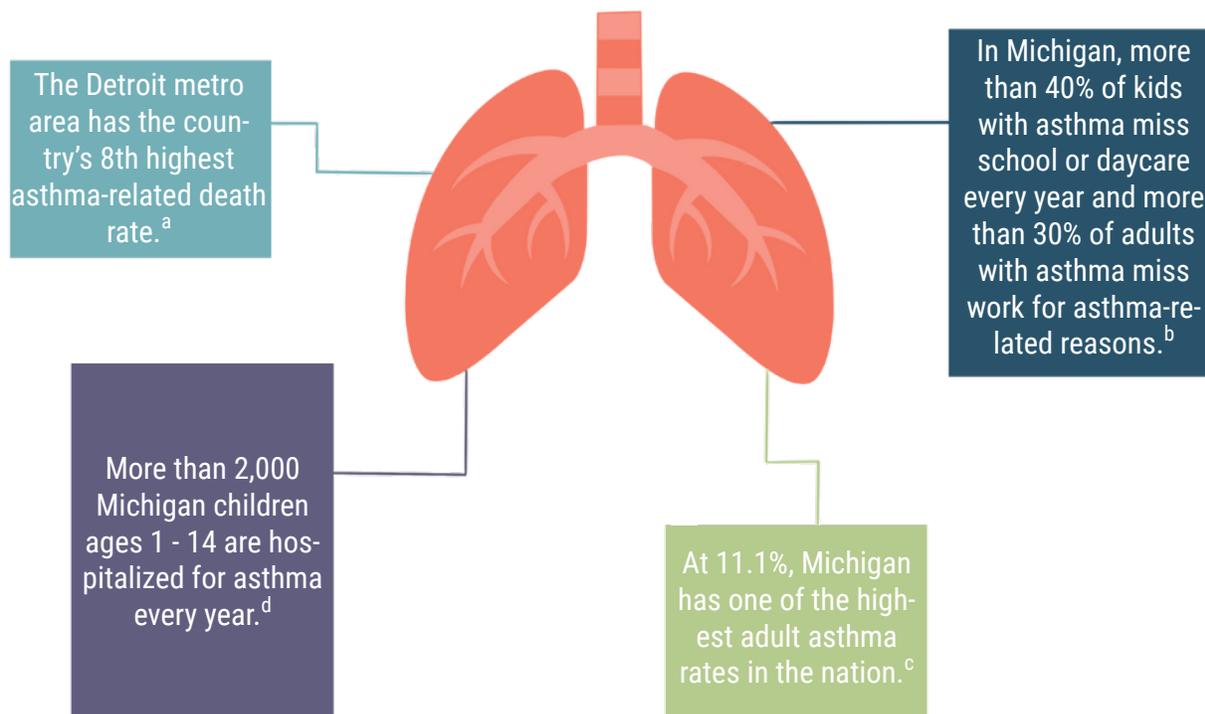


Adequate sleep

## Breathing Freely

In addition to exorbitant energy bills, poor housing quality contributes to some common health problems that have a significant impact on education, employment and well-being for people of all ages. For example, 40% of asthma episodes are brought on by a trigger in the home<sup>10</sup> and asthma is the No. 1 chronic health reason that children miss school. As another potentially disabling or fatal respiratory disease, COVID-19 has highlighted the crucial need for measures to improve household safety, reduce energy waste and ensure affordability of utility service.

## Michigan Asthma Numbers



Sources: <sup>a</sup> Asthma and Allergy Foundation of America, 2021 Asthma Capitals <sup>b</sup> Centers for Disease Control and Prevention, 2018 <sup>c</sup> Centers for Disease Control and Prevention, 2019 <sup>d</sup> Michigan League for Public Policy, Kids Count in Michigan.

Asthma rates are highest in Michigan families with incomes below \$25,000,<sup>11</sup> who are also more likely to live in substandard housing and face a higher energy burden. Asthma prevalence, hospitalization and mortality rates in the state also vary by race and ethnicity: Black, American Indian and multiracial people have the highest asthma rates among adults, and Black people are more than five times as likely to be hospitalized for asthma and nearly four times more likely to die from asthma as their White counterparts.<sup>12</sup> Michigan children of color, particularly Black and Hispanic children, are more likely than White children to experience asthma-related emergency department visits.<sup>13</sup> In addition to the direct health impact of removing asthma triggers, improved housing conditions would reduce these children's family energy burden, freeing up money in the budget for asthma medication, healthy food and other basics kids need for academic success.

## Policy Recommendations

(Note: As this brief examines energy security as part of our housing justice series, we have focused largely on household-level policy recommendations. Broader policy questions remain regarding the larger system of energy generation, service delivery and the regulatory process; these questions are outside the scope of this brief but will be addressed in the future.)

Michigan must have effective stopgap measures in place to protect families in crisis from losing essential heat and electric service—especially during a disaster like the COVID-19 pandemic—as well as long-term solutions that reduce their energy burden and promote economic and health justice. To that end, the League recommends that Michigan do the following:

### Expand utility shutoff protections to households with young children.

Because older adults may be especially vulnerable to the health impacts of inadequate home heating, state law and Michigan Public Service Commission rules prohibit energy providers from shutting off service due to nonpayment during the heating season for customers age 65 or older. The health risks of a shutoff, however, can be just as serious for [young children](#). Massachusetts has adopted utility shutoff protections for families with infants under age 1 and households in which both older adults and minor children reside;<sup>14</sup> Michigan should consider expanding its protections similarly.

### Increase funding for home repairs that promote health and safety.

Poor housing conditions can negate the positive impact of energy efficiency measures or prevent their installation altogether. For example, sealing an improperly ventilated home to prevent heat loss also can trap air pollutants and mold-causing moisture inside. Many Michigan homes need major roof repairs or replacement; however, because the cost usually eclipses the potential for timely energy savings, underfunded weatherization programs cannot use their scarce resources in this way. In communities with the oldest housing stock, health and safety issues consistently force weatherization contractors to defer most of the families referred to them for services. The state should explore avenues for funding this essential weatherization precursor work for families with low incomes, especially those who rent. Possibilities include:

- Supporting health and safety pilots involving utility providers, weatherization contractors, housing providers, and landlords.
- Prioritizing home repairs in Michigan's use of its Community Development Block Grant.
- Establishing a dedicated revenue stream for Michigan's housing trust fund and earmarking a portion of the money for home repairs that aren't covered by existing programs.

## Establish a pilot program to study the impact of energy efficiency improvements on housing stability, health outcomes and healthcare costs for Medicaid enrollees.

Currently, Michigan is conducting a Medicaid pilot to help measure the impact of housing vouchers on health and healthcare spending for people who have experienced chronic homelessness. The state should consider a similar study related to energy efficiency and health impacts among families with low incomes. Such a pilot could demonstrate that increased state investment in energy efficiency is worthwhile via savings in the Medicaid program and help lay the groundwork for future incorporation of non-energy benefits, such as health and environmental impacts, in the state's process for regulating utilities and setting energy rates.

## Promote income-based utility bills for households with low incomes.

Some jurisdictions have adopted percentage-of-income payment plans (PIPPs) for utility customers who struggle to make ends meet. Under such a plan, the customer's portion of the monthly bill is set at a fixed percentage of their income and assistance program funds cover the rest. With each on-time payment, the customer's arrearage is reduced and eventually eliminated. This helps families stay current on their bills, increases certainty in the energy provider's revenue stream, and reduces the provider's expenses related to collections and bad debt. Michigan utilities already offer affordable payment plans based on this model to customers who fall behind on their bills, but this option should be more widely available to families with low incomes before they accumulate debt. Several utilities in Michigan are preparing to launch PIPP pilot programs; the state and applicable local governments should provide financial and technical support for these programs so that eventually all struggling families can experience greater energy security and housing stability.

## End Notes

- <sup>1</sup> Fisher Sheehan & Colton, Home Energy Affordability Gap 2020, [http://www.homeenergyaffordabilitygap.com/03a\\_affordabilityData.html](http://www.homeenergyaffordabilitygap.com/03a_affordabilityData.html). Accessed May 12, 2021.
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- <sup>9</sup> Reames, T.G., Reiner, M.A., and Stacey, M.B. (2018). An incandescent truth: Disparities in energy-efficient lighting availability and prices in an urban U.S. county. Applied Energy, 218, 95-103. Retrieved from <https://justurbanenergy.files.wordpress.com/2018/03/reames-reiner-stacey-2018-an-incandescent-truth-w-suppl.pdf>
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