

MICHIGAN ENERGY ASSISTANCE PROGRAM

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 353 (S-2) as passed by the Senate
Sponsor: Sen. Veronica Klinefelt

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

Senate Bill 880 (S-1) as passed by the Senate
Sponsor: Sen. Sam Singh

Senate Bill 881 (S-1) as passed by the Senate
Sponsor: Sen. Rick Outman

House Bill 6075 as introduced
Sponsor: Rep. Helena Scott

House Committee: Energy, Communications, and Technology
Senate Committee (SBs 353, 880, and 881): Energy and Environment
Complete to 11-13-24

SUMMARY:

The bills would amend the Michigan Energy Assistance Act and 1939 PA 3, the enabling act for the Michigan Public Service Commission (MPSC), to revise eligibility and other requirements concerning low-income energy assistance under the acts. The bills are described together below based on the act being amended.

Michigan Energy Assistance Act (SB 353 and HB 6075)

The Michigan Energy Assistance Act requires the Department of Health and Human Services (DHHS) to establish and administer the Michigan Energy Assistance Program statewide to provide energy assistance to *eligible low-income households*.¹ As currently defined, the term *eligible low-income household* means a household with a household income of up to 150% of the federal poverty guidelines. Under the bills, this would apply through September 30, 2025, then, beginning after (not on) October 1, 2025, *eligible low-income household* would mean a household that meets both of the following:

- It has a household income of up to 60% of the *state median income*.
- Its electric utility does not opt out of collecting low-income energy assistance funding factor under section 9t of 1939 PA 3 (which SBs 880 and 881 would amend).

State median income would mean the state median income promulgated by the secretary of the United States Department of Health and Human Services in accordance with procedures established under section 2002 of the federal Social Security Act, 42 USC 1397a, and adjusted, in accordance with regulations prescribed by the secretary, to take into account the number of individuals in the household.

Under current law, energy assistance must include services that will enable participants to become or move toward becoming self-sufficient. The bills would retain this requirement, as appropriate for the household, and further require that energy assistance prioritize *vulnerable populations*. DHHS would have to coordinate its efforts with those of other state agencies to reduce *energy insecurity* (in addition to the current requirement that they coordinate to assist

¹ <https://www.michigan.gov/mpsc/consumer/energy-assistance>

low-income households toward becoming self-sufficient). DHHS would have to notify program participants that they are eligible for other services under the program, such as energy waste reduction products and services offered by an energy provider or a home weatherization assistance program.

Vulnerable populations would mean households experiencing energy insecurity that have at least one member who is any of the following:

- A child under five years of age.
- An individual with a disability.
- An individual who is 60 years of age or older.
- An individual who has experienced homelessness in the preceding 12 months and who needs energy assistance to secure housing.

Energy insecurity would mean that the percentage of a household's annual household income required to pay the household's home energy bills (including electricity and home heating) is greater than 6%.

The bills would allow DHHS to establish guidelines for verifying the eligibility of all applicants to ensure that assistance funds are provided only to eligible low-income households. If it establishes such guidelines, the department would have to consider opportunities to incorporate ***categorical eligibility***.

Categorical eligibility would mean policies that make a household eligible for energy assistance based on the household's involvement in other low-income assistance programs that use similar eligibility criteria.

The bills would provide that an electric provider, natural gas provider, or other energy provider is not required to verify the eligibility of program applicants.

The act currently requires that at least 70% of the funds received for the program must be spent during the state's crisis season, defined as November 1 to May 31. The bills would delete this provision.

The act now requires an entity with which DHHS contracts to provide energy assistance to use at least 92% of the funds received from the department for that purpose (or, with approval, at least 90%). The bills would require DHHS, in consultation with the Michigan Public Service Commission (MPSC), to set a minimum allocation for contracted entities. In addition, by October 1, 2025, DHHS, in consultation with the MPSC, would have to provide guidelines on the provision of self-sufficiency services. The guidelines would have to be incorporated into performance metrics for contracted entities beginning with the program year that begins on October 1, 2026.

DHHS must now provide an annual report on how program money was spent to the legislature, relevant legislative committees and subcommittees, and the House and Senate Fiscal Agencies. The bills would require that, beginning with the program year that ends September 30, 2026, this annual report must be provided no later than March 1, 2027.

Finally, the bills would revise the definition of *crisis*, but that term would no longer be used in the act.²

MCL 400.1232 et seq. and proposed MCL 400.1234a

MPSC enabling act (SBs 880 and 881)

Section 9t of 1939 PA 3 creates the Low-Income Energy Assistance Fund in the state treasury and requires money in the fund to be spent as provided in the Michigan Energy Assistance Act. The bills would require DHHS, in consultation with the MPSC, to ensure that the fund is administered to promote all of the following:

- Statewide access to the Michigan Energy Assistance Program, ensuring that funds collected from a specific geographic area are, to the extent possible, returned to eligible low-income customers in that specific geographic area.
- Collaboration between DHHS, the MPSC, energy providers, and entities that administer assistance programs to ensure that eligible low-income customers in a geographic area are receiving funds proportional to what customers in that geographic area are being assessed.
- For energy providers and entities that administer assistance programs, education and outreach on availability of the assistance programs and funding.

The act currently allows the MPSC to annually approve a low-income energy assistance funding factor of up to \$1.00 to be assessed on customers' electric utility bills. The bills would change, from July 31 of each year to May 1 of each year, the date by which the MPSC must approve the funding factor. The bills also would allow the MPSC to increase the funding factor to \$1.25 on the applicable bill's effective date, and to increase it by up to \$0.25 each year thereafter, up to a new maximum of \$2.00. Beginning in 2029, the funding factor would have to be annually adjusted for inflation. In addition, if the fund's remaining balance reported at the end of a fiscal year is greater than 10% of the funds collected by the funding factor in the fiscal year for which the remaining balance was reported, the MPSC would have to shall set the funding factor at a rate at which the total funds collected would not exceed the total amount of funds collected by the funding factor minus the reported remaining balance.

The act currently allows an electric utility to opt out of collecting the funding factor by filing an annual notice with the MPSC by July 1. A utility that does so is prohibited from shutting off service to a residential customer from November 1 to April 15 for nonpayment of a delinquent account. The bills would limit the ability to opt out to only those electric utilities that have fewer than 45,000 residential electric customers, change the deadline for the annual notice to April 1, and remove the described provisions prohibiting certain service shutoffs. In addition, the notice filed by the utility would have to include the total number of retail billing meters the utility serves in Michigan that would be subject to the funding factor if the utility were not opting out. The total would have to be provided by service territory and by county.

A utility that opts out as described above would have to establish and fund an energy assistance program for its residential customers that provides assistance for both their electric and home

² It now means one of the following: an individual or recipient has received a past due notice on an energy bill; a residential fuel tank is estimated to contain 25% or less of its heating fuel capacity; a stated need for deliverable fuel or a nontraditional fuel source in which there is no meter or regular energy bill provided; or a notice that the balance in a prepayment account is below a minimum amount. The bills would change the fuel tank percentage to 30%.

heating needs consistent with the eligibility requirements of the Michigan Energy Assistance Program. The utility would have to ensure that the funds available for these programs are sufficient to provide all eligible customers who apply, but it would not have to spend more for an energy assistance program than what it would have collected from the funding factor if it hadn't opted out.

Beginning October 1, 2025, and annually after that, a utility that opts out would have to provide notice to its residential customers of its available energy assistance. The notice would have to include a description of the program, eligibility guidelines, application information, and a statement that the program is offered instead of collecting the low-income energy assistance factor. The utility would also have to include information about the assistance program on its website.

Beginning December 1, 2026, and annually after that, a utility that opts out would have to submit a report to the MPSC that contains the following information:

- The total amount of funds available for energy assistance for the utility's customers.
- The total number of the utility's customers, by county, that applied for energy assistance through the utility program.
- The total number of the utility's customers, by county, that received assistance.
- The total amount of assistance awarded to the utility's customers, by county, including a description of the amount of assistance awarded for each home heating commodity.
- Any other information the MPSC considers necessary to demonstrate compliance with the bills.

The MPSC could develop a template that utilities may use to meet the above reporting requirements.

The attorney general or a customer of a municipally owned electric utility or cooperative electric utility that opts out as described above could commence a civil action for injunctive relief against the utility if it fails to meet the above requirements.³ The action would have to be commenced in the circuit court for the county where the principal office of the utility is located. The attorney general or customer could not file an action without first giving the utility at least 60 days' written notice of the intent to sue, the basis for the suit, and the relief sought. Not later than 30 days after the utility receives that written notice sue, the utility and the attorney general or customer would have to meet and make a good-faith attempt to determine if there is a credible basis for the action. If there is a credible basis for the action, the utility would have to take all reasonable and prudent steps necessary to comply with the applicable requirements above within 90 days after the meeting. If the parties do not agree as to whether there is a credible basis for the action, the attorney general or customer could proceed to file the suit. The MPSC would have to ensure that an electric utility that opts out complies with these provisions and could, after opportunity for a hearing, take steps to enforce these provisions.

A utility that does not opt out of the funding factor must now report to the MPSC by July 1 on the number of retail billing meters in Michigan that are subject to the funding factor. The bills would change this date to April 1 and require the information to be broken down by both service territory and county.

³ These kinds of utilities are either not subject to MPSC regulation or to limited regulation of specified areas.

Under the bills, beginning December 1, 2025, and by each December 1 after that, the state treasurer would have to report to the MPSC the total amount of money that was collected by the Low-Income Energy Assistance Fund and the remaining balance of the fund from the immediately preceding fiscal year.

In addition, beginning March 1, 2027, and by each March 1 after that, DHHS would have to shall provide to the House and Senate appropriations subcommittee for the DHHS budget and the House and Senate standing committees on energy a report containing all of the following information:⁴

- The distribution of money from the fund across the state.
- A summary of total funds received and assistance awarded for each county.
- A summary of the education, marketing, and outreach to improve the distribution of funds.

MCL 460.9t

Effectiveness

Senate Bills 353, 880, and 881 are tie-barred to each other, which means none of them can take effect unless all three are enacted. House Bill 6075 also could not take effect unless all three Senate bills are enacted.

FISCAL IMPACT:

The bills would have a significant fiscal impact on the state and have a varied impact on local units of government, depending on whether the local unit of government administers an electric utility and whether the local unit presently opts out of the program. Specifically, these bills would increase the low-income energy assistance funding factor from a cap of \$1.00 and a total fund cap of \$50.0 million by removing the \$50.0 million fund cap and by increasing the funding factor up to not more than \$2.00. These changes would increase the annual revenues deposited into the Low-Income Energy Assistance Fund (LIEAF) from \$50.0 million up to \$120.0 million by FY 2028-29.

These bills would then require these additional state funds to support increased energy assistance spending from modifying eligibility requirements from 150% of the federal poverty level to 60% of the state median income and removing the limitation on spending outside of the state-defined crisis season.

Legislative Analyst: Rick Yuille
Fiscal Analysts: Kent Dell
Cassidy Uchman

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.

⁴ DHHS could combine this report with the annual report required under the Michigan Energy Assistance Act.