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Senate Bill 364 (Substitute S-2)
Sponsor: Senator Roger Kahn, M.D.
Committee: Appropriations

(as passed by the Senate)

CONTENT

The bill would provide supplemental appropriations for fiscal year (FY) 2011-12 for the Department of Human Services (DHS) and the Department of Licensing and Regulatory Affairs (LARA). The supplemental would provide revenue from the "Vulnerable Household Warmth Fund", a State restricted fund source that would be created to replace the Low-Income Energy and Efficiency Fund (LIEEF). The new fund would be a temporary solution for FY 2011-12, and the supplemental would be a one-time appropriation.

The Vulnerable Household Warmth Fund would be authorized to collect up to \$58.0 million from utilities in FY 2011-12. The funds would be used only to provide energy assistance to low-income customers through payments to utilities.

Table 1 summarizes the Gross and GF/GP appropriations for each department under the bill.

Table 1

FY 2011-12 Supplemental Appropriations Senate Bill 364 (S-2)		
<u>Department</u>	<u>Gross</u>	<u>GF/GP</u>
Human Services	\$35,000,000	\$0
Licensing and Regulatory Affairs	\$23,000,000	\$0
Total Supplemental Appropriations	\$58,000,000	\$0

BACKGROUND

Public Act (PA) 141 of 2000 established LIEEF as a State restricted fund. The Act was designed to open the electricity market to competition so alternative suppliers could market to the customers of major suppliers. In order to soften the transition for the major energy suppliers, the Act allowed them to find savings by issuing bonds to pay off their assets, i.e., through securitization savings. Later, the savings were collected as a customer fee rather than through securitization. The excess savings from both methods went to LIEEF, which in turn funded projects serving low-income customers and energy conservation efforts.

When Michigan revamped the State energy plan in 2008 with the enactment of PA 286 and PA 295, the authorization that permitted the State to collect and distribute funds through LIEEF was eliminated from statute. This change exposed the State to a lawsuit, so all of the funds that had been collected for distribution in FY 2011-12 are now being held in escrow. (The amount of funding in escrow is not confirmed.) The LARA budget had provided for up to \$95.0 million in spending authorization, \$47.0 million of which would have been paid to the DHS with the remainder distributed to nonprofit and other private agencies. Previously, LIEEF had provided both direct assistance payments to low-income households and energy efficiency grants.

FISCAL IMPACT

The bill would increase Gross State appropriations by \$58.0 million and General Fund/General Purpose (GF/GP) appropriations by \$0. The revenue would come from a State restricted fund source, the Vulnerable Household Warmth Fund. This Fund would fill a gap in energy assistance funding for low-income households. Due to projected cuts in Federal funding, the State is expected to lose approximately 26% of total funding for energy assistance from FY 2010-11 to FY 2011-12. If LIEEF is not replaced, the program will be reduced by approximately 40% in FY 2011-12. The bill would provide funding for the following departments:

Human Services: The bill would appropriate \$35.0 million Gross to the State Emergency Relief Energy Services line.

Licensing and Regulatory Affairs: The Vulnerable Household Warmth Fund would provide \$23.0 million Gross in State restricted funding to the Department for distribution to nonprofit and private organizations for low-income energy assistance.

Boilerplate Language Sections

Sec. 201. Records amount of total State spending and payments to local units of government included in the bill.

Sec. 202. Subjects appropriations and expenditures in the bill to the provisions of the Management and Budget Act.

Sec. 301. Appropriates \$35.0 million to the DHS for low-income energy assistance on a one-time basis only.

Sec. 350. Appropriates \$23.0 million to LARA for vulnerable household warmth assistance on a one-time basis.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.