

Legislative Analysis



WEATHERIZATION FUNDING

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House Bill 4544 (Substitute H-2)

Sponsor: Rep. Dale W. Zorn

Committee: Appropriations

Complete to 12-3-14

A SUMMARY OF HOUSE BILL 4544 (H-2) AS REPORTED BY COMMITTEE

House Bill 4544 (H-2) would amend Section 527a of the Income Tax Act of 1967 (MCL 206.527a) to require that, beginning with Fiscal Year 2014-15 and thereafter, the weatherization program shall receive at least \$6.0 million funding from the federal Low-income Home Energy Assistance Program (LIHEAP) block grant but not greater than 15% of the total LIHEAP funds received, if the state receives an amount greater or equal to 90% of the amount acquired in the preceding fiscal year. If the state receives less than 90% of the amount of LIHEAP funding received in the preceding fiscal year, then the weatherization program shall receive at least \$5.0 million.

In addition, the bill would require that the owner of any rental properties that are weatherized by a Michigan Community Action Agency shall contribute at least 25% of the cost of the weatherization services unless the property owner is deemed low income or the property is owned by a nonprofit organization, a governmental agency, or a municipal corporation.

Current law prohibits the amount used for weatherization from LIHEAP funds to exceed \$9.0 million less the amount used for weatherization from the emergency contingency funds received in the immediately preceding year.

FISCAL IMPACT:

This bill should not have a fiscal impact on the state, and the fiscal impact on local units of governments is uncertain. The impact on local units of governments will depend on whether the local unit operates a municipally owned utility company, whether the regional Community Action Agency is administered through a local unit of government, and how much funding for the weatherization program the Department of Human Services (DHS) includes in its FY 2014-15 LIHEAP spending plan. As of December 3, 2014, the FY 2014-15 LIHEAP spending plan has not been approved yet or officially released. Thus, the amount of LIHEAP funding, if any, that will be allocated for weatherization in FY 2014-15 is unclear. In FY 2013-14, the spending plan included no funding for weatherization from the LIHEAP federal funding.

The DHS anticipates that the state will receive approximately \$165.0 million LIHEAP funding in FY 2014-15. If the Department were to allocate 15% of this funding,

increasing weatherization funding from 0% to 15%, this would represent an increase of approximately \$24.7 million to the program.

In addition to allocating up to 10% of the LIHEAP funding for administrative activities, DHS allocates the federal LIHEAP block grant to four primary programs:

- Home Heating Tax Credit
- State Emergency Relief – Energy Services
- Michigan Energy Assistance Program
- Weatherization

The following table details the federal LIHEAP funding that was allocated in the FY 2013-14 revised LIHEAP spending plan¹ for administration costs and to these four program areas.

FY 2013-14 Federal LIHEAP Program Funding

Program Area	Federal LIHEAP Funding
Home Heating Tax Credit	\$ 46,750,000
State Emergency Relief – Energy Services	77,271,610
Michigan Energy Assistance Program	40,000,000
Weatherization	0
Administration (DHS/Treasury)	16,266,392
Total	\$180,288,002

Over the past 10 years, DHS has allocated between 6.5% and 0% of the annual LIHEAP block grant for weatherization. The FY 2013-14 state LIHEAP revised spending plan did not allocate any LIHEAP funding for weatherization, so to comply with this bill, DHS’ FY 2014-15 LIHEAP spending plan would need to include weatherization funding. This change in funding allocation would require reducing the amount of LIHEAP funding allocated to one or more of the other three programs from the amount that they received in the previous year.

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

¹ http://www.michigan.gov/documents/dhs/Section_655_2014_449010_7.pdf