

Consumer Relief for Low- and Moderate-Income Minnesotans

Climate change is one of the most serious issues facing our world, and it disproportionately impacts low-income households who are more vulnerable to the negative affects of climate change such as pollution or extreme weather. The Minnesota Budget Project strongly supports reducing greenhouse gas emissions and **we urge your support of Clean Energy Jobs and American Power Act.**

Several aspects of the House's climate change bill are particularly important to preserve in the Senate in order to hold low- and moderate-income Minnesotans harmless, and there are some opportunities for improvements in consumer relief as the bill progresses through the Senate.

Provide Direct Low- and Moderate-Income Consumer Assistance:

Given that a cap on emissions of greenhouse gases will result in higher costs for energy and energy-intensive goods, it is essential that relief be provided to low-income consumers, who spend a larger share of their budget on necessities like energy than do higher-income consumers.¹ Our position is that at least 15% of total allowance revenues should be used to provide full protection for the lowest-income households (as the current House bill provides). We strongly support the Senate's commitment to extend relief to moderate-income families. To do so, additional allowance revenue must be dedicated, such as House bill allocations to utilities, to avoid providing less than full relief for the lowest-income households.

Reduce Allowance Allocations to Electric and Gas Utilities

The Senate legislation should reduce the allocation of allowances provided in the House bill to utilities and use the savings to improve the direct consumer relief provision. Relief delivered through utility companies has a number of serious weaknesses compared with direct relief.² Utility companies do not have adequate information about household income and will likely use this allowance value to reduce electric bills for all customers, diminishing the incentive to reduce household electricity use and increasing the burden for reductions in other energy sectors. Moreover, uneven utility regulation in some states makes it difficult to guarantee that allowance value will, in fact, be passed on to consumers. Any remaining allowances for consumer relief through utilities must be allocated proportionately based on revenues contributed by utility class and inability to pay.

Use Existing Delivery Mechanisms:

The House bill utilizes the electronic benefit transfer (EBT) system to provide consumer assistance to the lowest-income 20% of the population. We favor the use of this and other existing delivery mechanisms such as the federal tax code in the Senate bill because, 1) they allow benefits to be delivered automatically to beneficiaries without creating an additional administrative burden and 2) they are better able to target income-based relief to low-, moderate-, and even middle-income consumers than other mechanisms (such as relying on utility companies).

Increase Funding for Low-Income Home Energy Assistance Program (LIHEAP):

Even with legislation designed to fully mitigate the increased cost for the average low-income household, some will face higher than average costs due to factors like poorly insulated homes or inefficient appliances. This may be of particular concern to Minnesotans given high heating needs and reliance on emissions-intensive coal for electric power. As a result of anticipated higher than average increases for some households, the Senate legislation should provide additional funds for the Low-Income Home Energy Assistance Program (LIHEAP), a program that provides energy assistance to low-income consumers who face utility shut-offs or other hardships.

¹ Dorothy Rosenbaum, Sharon Parrott and Chad Stone, Center for Budget and Policy Priorities, *How Low-Income Consumers Fare In The House Climate Bill*, July 8, 2009.

² Chad Stone, Center for Budget and Policy Priorities, *Holding Down Increases in Utility Bills Is a Flawed Way To Protect Consumers While Fighting Global Warming: Direct Consumer Rebates a Better Approach*, June 3, 2009.