

***Impact on 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 the American Clean Energy and Security Act of 2009*** (H.R. 2454) introduced by Reps. Waxman and Markey.

Several aspects of this legislation are particularly important to holding low- and moderate-income communities in Minnesota harmless, and there are some opportunities for improvement 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.<sup>1</sup> Our position is that allowance revenue should be used to provide full protection for the lowest-income households (as the current House legislation provides). At present, relief phases out for families at roughly 160% of the poverty line (about \$35,000 for a family of four).<sup>1</sup> We strongly support relief for the lowest-income households, but urge the Senate to extend direct consumer relief to all moderate-income families.

**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 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):**

While the House bill would offset the increased cost for the average low-income household, some will face higher than average costs due to poorly insulated homes or inefficient appliances. This may be of particular concern to Minnesota households given that our state has the third highest heating need in the country and relies heavily on emissions-intensive coal for electric power.<sup>2</sup> 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.

**Reduce Allowance Allocations to Electric and Gas Utilities**

HR 2454 allocates a significant share of allowances to utilities with the intention that they be used for consumer relief. However, relief delivered through utility companies has a number of serious weaknesses compared with direct relief.<sup>3</sup> 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. Utility companies do not have 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.

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<sup>1</sup> 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.

<sup>2</sup> Kristen Sheeran and Sonya Hetrick, Oregon Center for Public Policy, *Mitigating the Impacts of Climate Change Policy on Lower-Income Households An Analysis of Oregon, Washington, Minnesota, and Iowa*, Final Report Forthcoming.

<sup>3</sup> Chad Stone, *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.