HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1533 Florida Energy and Climate Commission
SPONSOR(S): Gibbons
TIED BILLS: None. **IDEN./SIM. BILLS:** SB 2300

	REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1)	Energy & Utilities Policy Committee		Whittier	Collins
2)	General Government Policy Council			
3)	Policy Council			
4)				
5)				

SUMMARY ANALYSIS

The Florida Energy and Climate Commission (FECC) was created by the Legislature in 2008, through HB 7135 (s. 377.6015, F.S.), to provide a single entity that would develop, coordinate, and implement energy policies for the state. The FECC was placed in the Executive Office of the Governor.

The bill directs the FECC to prepare a report, to be submitted to the President of the Senate and the Speaker of the House of Representatives by December 1, 2009, that does the following:

- Identifies methods of increasing energy-efficiency practices among low-income households, and, at a minimum, identifies energy efficiency programs currently offered to low-income households in this state and similar programs in other states;

- Determines the statewide impact of improving the level of energy efficiency of rental housing properties, including the environmental benefits of the improvements and potential fiscal impact on property tenants, owners, and landlords, and the economy; and

- Provides recommendations to effect more energy efficiency practices among low-income household residents.

The bill does not appear to have a significant fiscal impact on state or local governments.

HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives:

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Florida Energy and Climate Commission

The Florida Energy and Climate Commission (FECC or commission) was created by the Legislature in 2008, through HB 7135 (s. 377.6015, F.S.), to provide a single entity that would develop, coordinate, and implement energy policies for the state. The bill combined a majority of the energy-area duties and responsibilities of the State Energy Office within the Department of Environmental Protection, and the statutory powers, duties and functions, records, personnel, property, and unexpended balances of appropriations, allocations, and other funds for the administration of the Florida Energy Commission into the FECC. The commission was placed in the Executive Office of the Governor.

In accordance with s. 377.6015, F.S., the commission is comprised of nine members, seven of which are appointed by the Governor for 3-year terms. The other two positions are to be appointed, one each, by the Commissioner of Agriculture and the Chief Financial Officer (CFO). The Governor is to select from three people nominated by the Florida Public Service Commission Nominating Council (Nominating Council) for each seat on the commission. In addition, the Commissioner of Agriculture and the CFO are each to select from three people nominated by the Nominating Council. The Governor is to select a chair from one of the nine people appointed to the commission.

The commission must meet at least six times a year and a commission member must be an expert in one or more of the following fields:

- Energy,
- Natural resource conservation,
- Economics,
- Engineering,
- Finance,
- Law,
- Transportation and land use,
- Consumer protection,
- State energy policy, or
- Another field which is substantially related to the duties and functions of the commission.

Low-Income Residential Energy Use

In 2008, the Florida Legislature directed the Department of Community Affairs (DCA) to develop a set of legislative proposals needed to address the affordability of home energy for low-income residential customers. CS/HB 697 (Chapter 2008-191, L.O.F.) directed DCA to work with the Florida Energy Affordability Coalition (FLEAC) and identify proposals that:

- support customer health, safety, and well-being;
- maximize available financial and energy-conservation assistance;
- improve the quality of service to customers seeking assistance; and
- educate customers to make informed decisions **regarding energy use and conservation**.[1]

The DCA and the FLEAC identified concerns associated with reviewing Florida's low-income household residents and energy affordability.[2]

The following information was obtained from the DCA/FLEAC report: [3]

1. *The energy affordability gap is growing among low and moderate income Floridians.*

   One way to measure the economic impact of home energy burden is by calculating the difference between what low- and moderate-income households can afford to pay and their home energy bill, known as the home *energy affordability gap*. In dollars, these numbers are staggering. In 2002, Florida's home energy affordability gap was estimated to be $876 million. In 2007, that gap rose to $1.78 billion. On average, each low-income household in Florida received a home energy bill in 2007 that was $999 *more* than the household could afford to pay.

2. *Low-income households spend a significantly larger percent of their income on home energy.*

   While the average American family spends 4 to 6 percent of their household income on energy, low-income households spend a far larger percent. The home energy burden for Florida's low-income households has significantly increased since 2002. For the poorest Floridians, those with incomes below 50% of the federal poverty level, the home energy burden has grown from 39% in 2002 to 51% in 2007.

3. *Existing energy assistance does not adequately address Florida's energy affordability gap.*

   The Low-Income Home Energy Assistance Program (LIHEAP) funded by U. S. Department of Health and Human Services (HHS) and administered by the DCA...is the single largest funding source for low-income energy bill payment assistance and weatherization in Florida. Historically, with the exception of the one-time influx of FFY 2009 funding as part of the economic stimulus package, funding has averaged between $25 and $30 million each year. *This provides assistance for only 3-5% of the 2.8 million potentially eligible households.*

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[1] DCA/FLEAC: Energy Affordability Proposals for Florida, January 2009, p. 1.

[2] Their process began with a workshop on July 17, 2008, at which FLEAC participants identified and ranked more than 50 potential strategies to use in addressing the causes and consequences of unaffordable home energy. The DCA staff worked with a smaller FLEAC working group to consolidate and elaborate the identified priorities and a revised list of proposals was then submitted to the FLEAC for review and comment.

[3] DCA/FLEAC: Energy Affordability Proposals for Florida, January 2009, pp. 3-5.

4. *Low-income people disproportionately live in older, less energy efficient homes.*

    Low-income people disproportionately live in older, energy inefficient homes. The up-front cost of increasing the efficiency of the home is usually beyond their means. In addition, low-income households tend to be renters and have less control over the energy efficiency of their residences. There is little incentive for the landlord to cover the cost of energy efficiency improvements to the property.[4]

5. *Low-income households must make difficult and dangerous decisions to pay their utility bill.*

    High energy burdens among older, low-and moderate-income households, exposes them to the risks of going without adequate heating or cooling, frequently resulting in adverse health and safety outcomes, including premature death.

    The 2005 National Energy Assistance Directors Association Survey of LIHEAP participants found that in order to pay their utility bill, respondents reported not filling prescriptions or going without food.

6. *Often the low-income households are on a fixed income.*

    The households at the lowest income level are often on a fixed income from social security, disability or retirement. When energy prices escalate, their incomes do not keep pace. They have less flexibility in their budgets to address increases in energy costs.

7. *Current energy deposits and penalties make the situation more challenging.*

    Although it is understandable why utility companies require deposits and late payment penalties, this ineffective policy exacerbates the difficulties faced by households who already cannot afford the home energy they need. In the long run, none of the parties involved, the customer, the utility company [n]or the social service agency are benefited.

8. *Significant weather-related power outages illustrate the necessity of home energy.*

    A consistent source of home energy is essential to health and safety. Not only is energy used to heat and cool our homes, but also for preserving food and medicines, lighting security, operating medical devices, heating water and telecommunication.

9. *Inability to pay utility bills often leads to housing instability.*

    Often when low-income households are unable to pay their utility bill, they move or become homeless. This is disruptive to the family, affects children's physical and mental health, as well as long-term behavioral, developmental and educational outcomes. Utility companies and landlords may be left with uncollectible bills. In this scenario, no one has been well served.

[4] Florida's Weatherization Assistance Program (WAP) is the only statewide program that conducts technically advanced energy audits and furnishes energy conservation repairs to low-income households. Typically, LIHEAP provides from $3 to $4 million per year to WAP and the U. S. Department of Energy (DOE) appropriates $1.8 - $2.0 million per year. With these funds, fewer than 1,500 homes can be weatherized statewide each year.

Effect of Proposed Changes

The bill directs the Florida Energy and Climate Commission (Commission) to prepare a report, to be submitted to the President of the Senate and the Speaker of the House of Representatives by December 1, 2009, that does the following:

(a) Identifies methods of increasing energy-efficiency practices among low-income households,[5] and, at a minimum, identifies energy efficiency programs currently offered to low-income households in this state by

- community action agencies,
- community-based organizations, and
- utility companies.

It is also to identify similar programs offered to low-income households in other states.

(b) Determines the statewide impact of improving the level of energy efficiency of rental housing properties, including the

- environmental benefits of the improvements and
- potential fiscal impact on property tenants, owners, and landlords and the economy.

The commission is to consider the relative equity and economic efficiency of the cost share for such energy efficiency improvements.

(c) Provides recommendations to effect more energy efficiency practices among low-income household residents.

B. SECTION DIRECTORY:

Section 1. Requires the Florida Energy and Climate Commission to prepare a report.

Section 2. Provides an effective date of July 1, 2009.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   None.

2. Expenditures:

   None.

[5] Section 420.9071(19), F.S., defines “low income person” or “low-income household” as “one or more natural persons or a family that has a total annual gross household income that does not exceed 80 percent of the median annual income adjusted for family size for households within the metropolitan statistical area, the county, or the nonmetropolitan median for the state, whichever amount is greatest. With respect to rental units, the low-income household's annual income at the time of initial occupancy may not exceed 80 percent of the area's median income adjusted for family size. While occupying the rental unit, a low-income household's annual income may increase to an amount not to exceed 140 percent of 80 percent of the area's median income adjusted for family size.”

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   None.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None. The bill directs the FECC to prepare a report.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   Not applicable because the bill does not appear to: require counties or cities to spend funds or take action requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with cities or counties.

2. Other:

   None.

B. RULE-MAKING AUTHORITY:

None. No additional rule-making authority is required to implement the full provisions of this bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES