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Senate Bill 144

Public Utilities - Energy Efficiency and Conservation Programs - Energy Performance Targets and Low-Income Housing

In the Senate Education, Energy, and the Environment Committee

Hearing on January 31, 2023

Position: FAVORABLE

Maryland Legal Aid (MLA) is a grantee of the Legal Services Corporation and may provide legislative testimony only by request of a legislator or executive official. MLA submits its written and oral testimony on SB0144 at the request of bill sponsor Senator Brian Feldman.

MLA is a non-profit law firm that provides free legal services to the State's low-income and vulnerable residents. Our 12 offices serve residents in each of Maryland's 24 jurisdictions and handle a range of civil legal matters, including housing, family law, public benefits, bankruptcy and other debt collection matters, and criminal record expungements.

Serving thousands of low-income households each year, we encounter energy unaffordability primarily in our renter and homeowner clients. The problem also surfaces in employment, public benefits, and family law cases. The high cost of energy, even in times of normal inflation, is an inescapable pressure on Maryland's workers, elders, and children.

MLA recognizes that energy efficiency is infrequently considered as a poverty elimination policy, but for our clients facing high energy burdens throughout the state, energy efficiency, and by extension energy affordability, is a matter of economic survival. The American Council for an Energy-Efficient Economy explains that "low-income households spend, on average, a higher portion of their income on energy bills than other groups, and that energy burdens are also higher for communities of color, rural communities, families with children, and older adults. Energy burden is one indicator to measure energy insecurity, and high energy burdens are associated with inadequate housing conditions and have been found to affect physical and mental health, nutrition, and local economic development."¹

¹ Ariel Dreobl and Lauren Ross, et al., How High Are Household Energy Burdens? An Assessment of National and Metropolitan Energy Burden across the United States 5 (September 2020), <https://www.aceee.org/sites/default/files/pdfs/u2006.pdf>.

MLA supports Senate Bill 144 because its mandate for investment in energy efficiency programs prioritizes impact for low-income households. The 2022 version of SB0144 was vetoed by the former Governor, but we urge its passage in the new administration.

SB0144 marshals state and federal funds to achieve higher energy savings targets via the Maryland Department of Housing and Community Development's low-income assistance programs, including weatherization assistance to rental properties. The bill further requires the Department to adopt regulations to ensure that the financial benefit of weatherization assistance accrues primarily to the tenants of the assisted rental property.

High energy burden among Maryland renters

"High energy burden" means that the percentage of one's income spent on home energy bills is above 6 percent.² A severe energy burden is higher than 10 percent. According to the federal Office of State and Community Energy Programs, the average energy burden among low-income Maryland renters is 12 percent.³

² Ariel Dreihobl, "Low-Income Households Pay More for Energy, but Efficiency Can Help," U.S. News & World Report, 30 Sept. 2020, <https://www.usnews.com/news/healthiest-communities/articles/2020-09-30/poor-households-pay-more-for-energy-but-efficiency-can-help>.

³ U.S. Department of Energy, Low-Income Energy Affordability Data (LEAD) Tool, <https://www.energy.gov/scep/slsc/lead-tool>.

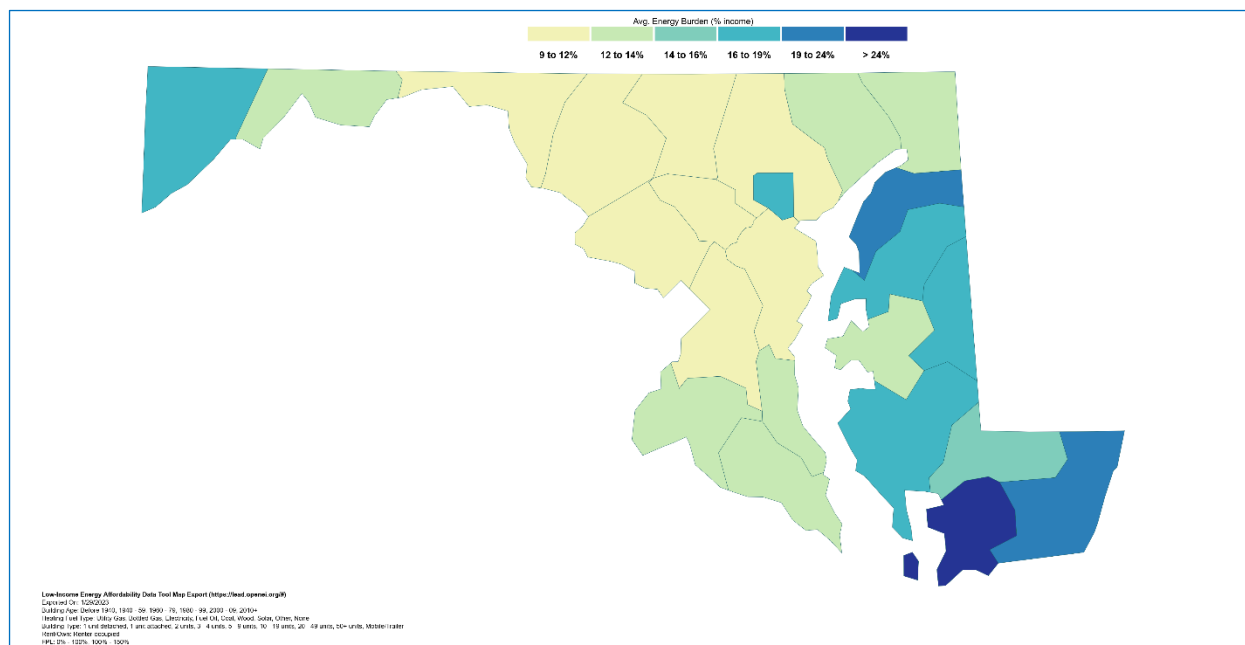


Figure 1 Average energy burden by jurisdiction, for renter/mobile park households at 150% of Federal Poverty Line and below.

Energy unaffordability hits hard in both urban and rural communities. With average energy burdens in the 16-17 percent range, low-income renter households in Baltimore City are struggling the same as their counterparts in Dorchester County, Garrett County, Caroline County, and Queen Anne’s County. Kent and Worcester Counties reach 19 percent. Somerset County is the hardest hit at 24 percent.

Energy inefficient rental housing

The factors behind high energy burden reach beyond simply lower incomes. Renter households confront low energy efficiency in the rental housing stock accessible at those lower incomes. According to Harvard University’s Joint Center for Housing Studies, a majority of renters directly pay for the energy used in their homes, and “the amount used reflects the quality of insulation in the structures and on the efficiency of the equipment. Efficiency depends on investments made by the owners of the properties, who may not be motivated to invest in efficiency improvements if they don’t pay the bills for usage.”⁴ SB0144 would jumpstart investment in these improvements.

⁴ Michael Carliner, "Energy Cost Burdens in Rental Housing," Joint Center for Housing Studies of Harvard University, 23 Jan. 2014, <https://jchs.harvard.edu/blog/energy-cost-burdens-in-rental-housing>.

SB0144 requires the Department of Housing and Community Development’s low-income assistance programs to achieve gross energy savings by increments of 0.53% in 2024, 0.72% in 2025, and 1.00% in 2026. To accomplish these targets, programs will need to deploy more funding to accomplish deeper improvements of rental housing than in prior years.

For weatherization assistance to rental properties, the bill further requires the Department to adopt regulations that ensure that the financial benefit of weatherization assistance, including utility bill reduction and preservation of affordability, “accrues primarily” to the tenants of the assisted rental property. The phrase “accrues primarily” comes from federal statute, 42 U.S.C. § 6863(b)(5)(A), 10 C.F.R. § 440.22(b)(3)(i). Per Department of Energy guidance, the language obligates the owner-beneficiary of weatherization assistance programs to demonstrate benefits beyond generic assertions such as “tenant services will be improved” or “weatherization will improve health and safety.”⁵ Under that federal guidance, benefits that “accrue primarily to the tenant” include:

- a reduction in the tenants’ energy bills;
- longer term preservation of the property as affordable housing;
- continuation of protection against rent increases beyond that required by statute;
- investment of the energy savings in facilities or services that offer measurable direct benefits to tenants;
- investment of the energy savings from the weatherization work in specific health and safety improvements with measurable benefits to tenants;
- improvements to heat and hot water distribution, and ventilation, to improve the comfort of residents; and
- establishment of a shared savings programs.

SB0144 also requires tenant protections to prevent rent gouging or eviction as a consequence of weatherization.

For these reasons, **Maryland Legal Aid urges the Committee to issue a FAVORABLE report on Senate Bill 144.** If you have any questions, please contact Zafar Shah, (410) 951-7672, zshah@mdlab.org.

⁵ U.S. Department of Energy, Weatherization Program Notice 10-15A 2 (April 8, 2010), <https://www.energy.gov/sites/default/files/2015/12/f27/WAP-WPN-10-15a.pdf>