



SUMMARY OF MICHIGAN HOME ENERGY AFFORDABILITY GAP

1. The home energy affordability gap is the difference between the amount a household can afford to pay for home energy and the actual amount that household is billed for home energy.
2. Affordability itself is measured by a household's "energy burden," which is the percentage of household income that is consumed by energy bills. A \$10,000 annual income with a \$1,000 energy bill creates an energy burden of 10 percent. The maximum energy burden considered affordable by housing professionals is about 6 percent.
3. The affordability gap in Michigan is large and growing. For total households in Michigan in 2002, the home energy affordability gap was \$453 million. Two years later it had risen to \$598 million.
4. This increase of \$145 million in the affordability gap from 2002 to 2004 represents a 32 percent jump. And these figures are based only on the increase in natural gas prices. Incorporating other fuel (propane, heating fuel) cost hikes would make the gap even higher. In fact, since 2001 the gap has increased 75 percent, primarily as a result of skyrocketing natural gas prices.
5. More than 180,000 Michigan households with incomes 50 percent below the Federal Poverty Level pay 38 percent of their income to keep the heat and lights on in their homes. Additionally, 103,000 households with incomes 50-74 percent of the Federal Poverty Level pay 15 percent or more of their income for energy.
6. The Home Energy Affordability Gap is a statewide problem and it is not exclusively an urban problem. Four of the seven Senate districts with the highest affordability gaps are primarily rural. In no Senate district was an annual home energy bill affordable, even for households with incomes of between 150 and 185 percent of the Federal Poverty Level.
7. In 2004, \$235 million of the \$598 million gap occurred in households with income at or below 50 percent of the federal poverty level. That amounts to 39 percent of the total statewide gap.
8. The percentage of the total affordability gap that is attributable to the lowest income levels in Michigan is far higher than the percentage of households living at those levels; because, at higher income levels, few households experience a gap in affordability. The proportion of households for which bills are affordable increases as incomes rise.
9. One of the most significant impacts of rising natural gas prices is that the affordability gap in Michigan has increasingly moved out of the lowest income tiers and into higher ones. The change in the percentage of the gap attributable to lower tiers is not because energy bills at those levels are becoming more affordable. Rather, it's because bills that *had been* affordable for higher-income households in 2002 became more *unaffordable* in 2004 as a result of natural gas price increases.