EXECUTIVE SUMMARY

Poverty is a systemic issue that directly affects 14% of Missourians.\(^1\) Living in poverty has negative long term implications for the health, education, economic opportunities, and overall quality of life for many Missourians.

Indirectly, poverty affects 100% of Missourians by creating more pressure on government services and by holding back our economy. Moreover, low-income and rural Missourians often spend a much higher percentage of their income on energy when compared to other groups. Unfortunately, Missouri continues to cut or underfund safety-net programs leaving seniors on fixed incomes, veterans, children, and rural residents vulnerable to increasingly volatile energy prices. However, clean energy investment strategies like energy efficiency and community solar offer unique opportunities to tackle poverty in ways that reduce reliance on government programs all while creating jobs and economic opportunity throughout the state.

POVERTY IN MISSOURI

Poverty has a severe impact on Missouri and its economy. The federal government defines poverty as annual gross income of $12,140 or less for an individual.\(^2\)

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A family of four is considered to be living in poverty if they have an annual income of $25,100 or less.³ Nationally, 12.7% of people live at or below the federal poverty level.⁴ However, the rate of poverty in Missouri is even higher, at 14%. Disturbingly, the poverty rate for Missouri children is even worse at 19.2%. These numbers mean that more than 825,000 Missourians — including over 260,000 children — suffer from a lower quality of life, poor physical and mental health, lack of opportunity for jobs or education, housing insecurity, and severe energy burdens.⁵

The link between poverty and energy is clear. For families living in poverty, money spent on electricity and natural gas bills takes money away from things like food, rent, and preventative medicine. An “energy burden” is defined by the American Council for an Energy Efficient Economy (”ACEEE”) as “the percentage of household income spent on home energy bills.”⁶ In 2017, Missouri families earning less than $50,000 annually faced energy burdens of 17% to 22% of income spent on energy bills and transportation.⁷ For Missourians living below the poverty level, these home energy costs are significant, crippling, and unduly burdensome. A household of two, on an annual income below the federal poverty level of less than $16,500, could spend more than $3,500 annually to meet their energy needs.

Furthermore, the link between energy and health has also become abundantly clear. Studies show that intemperate living conditions cause serious deteriorations in household residents’ mental and

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³ 2018 Federal Poverty Level
⁵ 2018 Missouri Poverty Report
Inefficient homes and appliances can contribute to complications arising from asthma, as inefficient appliances decrease household air quality by releasing more pollutants. Asthma is a primary reason that children miss school and causes complications for adults as well. Adults suffering from asthma lose employment opportunities due to their health, or take many sick days. These examples demonstrate the need for “healthy” housing, not only for the health benefits but for the financial savings arising from home & energy improvements.

Nationally, rural and low-income households experience the highest median energy burden at 9%, almost three times greater than the non-low income rural household median of 3.1%. This is due to several factors, including the quality and efficiency of housing materials, the large number of manufactured homes, the number of low-income people in rural versus urban areas, and the availability of energy efficiency programs in rural areas. Tenants of affordable housing spend a high proportion of their income on energy, and yet it’s these same customers for whom energy-saving strategies have traditionally been unavailable. This is because of a problem often referred to as the “split incentive.” Renters do not own their units and cannot make the necessary improvements like adding additional wall insulation or installing solar panels; at the same time, landlords and property managers do not have an incentive to make units more efficient when they don’t pay the utilities.

Despite these challenges, clean energy initiatives like energy efficiency and community solar offer clear pathways toward reducing energy burdens for rural and low-income Missourians. Targeted energy efficiency programs can permanently reduce bills for low-income Missourians, freeing up money for other household needs.

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essentials like food and school supplies, preventing bad health outcomes, and enabling the neediest Missourians to reduce their dependence on government aid. In addition, solar costs have fallen dramatically, enabling utilities to offer special community solar programs that allow low-income customers to further lower their bills. (You can read more in our paper on Community Solar.)

**Energy Efficiency: What is it? How can it tackle poverty?**

Simply put, energy efficiency (EE) is the use of less energy to accomplish the same task. EE exemplifies traditional American values of thriftiness and innovation by lowering energy needs through use of more modern technologies, appliances, and strategies. EE measures include LED lights, wall and attic insulation, door and window sealing, smart thermostats, and efficient heating and cooling systems. EE is often considered the lowest-cost resource that utilities can invest in to meet customers’ power needs. In other words, it costs ratepayers less for their utility to help them save energy than it does to construct the next coal or natural gas power plant.

The most immediate benefit of EE in addressing poverty comes in the form of a reduction to household energy burdens. Reducing energy burdens makes more money available for other essentials like food, rent, and healthcare costs. This in turn reduces pressure on government programs like rental assistance, food stamps, Medicaid, etc. In this way, energy efficiency can provide benefits for all of society. No less significant, the data is clear that EE can drastically improve health outcomes for low-income households. Energy efficiency can improve the health of tenants and provide them with the economic flexibility to make a difference in their lives.

Finally, energy efficiency is the largest, most robust sector of clean energy in Missouri. The efficiency industry employs more than 40,000 Missourians, offering substantial economic benefits to individuals and to the state itself.  

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10 See “Over 54,000 Missouri Residents Work in Clean Energy”, from E2 and Clean Energy Trust, August
EE provides opportunities for employment, particularly in rural areas where EE technicians are currently less prevalent.

Currently, under the law, the easiest and most cost-effective way to save energy and money through energy efficiency is to work with your electric and gas utilities. Investor-owned utilities (“IOU”s) in Missouri offer energy efficiency programs to their customers, including some specifically for low-income customers. In particular, Ameren Missouri and Kansas City Power & Light offer “Multifamily Low-Income” programs designed to save money for tenants and owners of affordable housing buildings. These programs were developed after a long series of meetings between efficiency advocates, utilities, regulators, community development organizations, and other stakeholders as far back as 2014. The Missouri Energy Efficiency Investment Act (“MEEIA”) makes it possible for IOUs to recover the sales they lose from making their customers more efficient, and even to turn a profit from EE. Since EE is so low-cost compared to investments in other resources, it benefits all ratepayers when utilities invest hundreds of millions in efficiency and avoid building future power plants. Currently, both Ameren and KCP&L have proposed new, ambitious portfolios under MEEIA. However, these new programs are under assault from regulators and other parties who fail to see the economic and jobs benefits of energy efficiency.

Low-Income Weatherization Assistance Program (“LIWAP”), or weatherization, is a federally-funded, state-administered program designed to fund energy efficiency upgrades in single-family low-income housing. Similar to the Low-Income Home Energy Assistance Program (LIHEAP), weatherization is intended to assist with high utility bills. However, while LIHEAP provides limited energy-cost relief


11 In addition to the large IOUs, most municipal and rural electric co-ops offer at least some energy efficiency programs. Please visit MOSaves.com to search for what programs your electric utility offers and to learn more about statewide energy efficiency efforts: https://mosaves.com/energy-efficiency-programs-in-missouri/

12 See §393.1075, RSMo.
In emergent or crisis situations, LIWAP is designed to reduce energy bills for the long term through reducing energy demand with EE. Home energy audits, appliance upgrades, window and door sealing, and improving insulation are targeted by LIWAP funds. LIWAP has limited availability. On average, these weatherization improvements save households $437 annually.¹³

**Other Opportunities for Energy Efficiency Improvements in Missouri**

**Pay As You Save On-Bill Financing**

Pay As You Save (PAYS) is an on-bill financing mechanism in which the customer receives energy efficiency measures to their property and pays for them on their existing utility bill. PAYS programs usually guarantee reduced energy consumption and lowered energy bills immediately, and can begin to lift energy burdens as soon as EE measures are implemented.

In Missouri, only a very limited number of small rural utilities have experimented with on-bill financing. PAYS is not currently offered by any utility company in Missouri, but it has seen great success in terms of energy cost savings, lower energy usage, and reduced energy burdens in Arkansas, Kentucky, and North Carolina.

Missouri’s large IOUs have recently conducted studies that show how PAYS programs could result in extensive efficiency savings, particularly for those on the lower side of the income spectrum. Missouri could enact a PAYS policy similar to other states, where PAYS is offered to all utility customers, regardless of income or credit history. While the policy can reduce energy bills for customers of any economic status, low-income participants see the most substantial benefits. Missouri would do well to adopt the PAYS model, as the implications for its success and its tangible benefits are tremendous, and would extend across the state to lift people out from under heavy energy burdens.

¹³ https://energy.mo.gov/assistance-programs/liwap/facts
OTHER TOOLS

See our paper, Community Solar: Accessible Renewable Energy for Missourians, for more information about Community Solar.

CONCLUSION

Policymakers have the ability to influence the lives of their constituents in real, tangible ways. By supporting programs that lift energy burdens, you can help improve the health, financial situation, and overall quality of life for your constituents. Poverty is a systemic problem in Missouri that is the result of complex issues. However, when significant portions of the poverty problem are addressed, those living in poverty see immediate, substantial benefits, and have more tools at hand to lift themselves out of the poverty cycle.