

State Energy Assistance Directors Call on Congress to Increase Funding by \$1 Billion to Address Declining Purchasing Power and High Energy Prices

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The State directors of the Low Income Home Energy Assistance Program (LIHEAP) today called upon the Congress to approve the \$1 billion in supplemental LIHEAP funding proposed in a letter signed by 38 Senators to Senator Harkin and Senator Specter, Chair and Ranking Subcommittee Chair of the Senate Subcommittee on Labor, Health and Human Services and Education Appropriations.

The need for the increase is in response to the severe decline in the program's purchasing power as a result of continued high energy prices: between FY 2003 and FY 2007, the purchasing power of the average LIHEAP grant for heating oil declined from 36.7 percent to 20.8 percent, natural gas from 58.2 percent to 37.6 percent, propane from 37.7 percent to 22.6 percent and electricity from 50.1 percent to 37.1 percent.

During the last week, states have been discussing strategies to address the decline in the program's purchasing power. In brief, they are estimating that the number of households served may have to be reduced by up to 15 percent in the absence of additional federal and supplemental state funding in order to maintain the purchasing power of the average program grant. The result would be a decline in the number of households served from about 5.8 million in FY 2007 to 4.9 million with the average grant increased from \$305 to \$400.

The following provides a status summary of programs in 28 states.

- Alabama: at this time, the state is not planning to change benefit levels, however, rising propane prices are presenting a significant affordability challenge for low income households in rural Alabama. There is also considerable concern about the impact on low income families from a proposed electric rate increase.
- Alaska: the state's biggest challenge is the impact of heating costs. This is especially true for remote communities where the cost for heating oil (the primary fuel for much of Alaska) can be double the national average or even more. Benefit levels are expected to remain unchanged and as a result, the purchasing power of program grants will be reduced. Within the first three months of the program this year the state received and processed close to half of the anticipated caseload (about 13,800) for this program year. It is not uncommon to have an initial high volume of applications; however, because the state's heating costs are higher than the national average and national projections for cost increases are pretty grim, we are likely to have some spike in applications.
- Arkansas: the state expects to reduce the number of households served by up to 20 percent as compared to the number served in FY 2007.
- Arizona: the state continues to struggle in meeting the increasing demand for LIHEAP services due to various factors working together as the "perfect storm" to deplete all available resources. Providers report that requests for energy assistance services continue to increase and include inquiries from non-traditional populations who are in financial distress due to the sub-prime lending problem. One of the largest utility companies in the state has reported

* The National Energy Assistance Directors' Association (NEADA) represents the state LIHEAP directors.

a 42 percent increase in calls to its customer service department from September 2006 to September 2007, most calls from customers who cannot pay their home energy bills. One LIHEAP provider (the Community Action Human Resources Agency in Pinal County) reported a total of 1,000 families turned away due to lack of funds between August and September of 2007. In FY 2007, Arizona served approximately 33,000 households with LIHEAP benefits. However due to the sharp decrease in funding, together with an increase in energy costs, Arizona estimates that at least 10,000 fewer families will be served in 2008.

- California: the state expects to serve fewer households and will have to reduce the amount of funding available for weather-related (and fire-related) emergencies and disasters than they have used in the past. No change has been implemented in the eligibility criteria or benefit structure. The maximum benefit is still \$200 and with higher prices that won't cover much. The maximum for emergency assistance will remain at \$1,000 and that may not be enough to prevent cutoffs of utility service as energy costs increase. They are only able to serve eight percent of the eligible population and there has been an increase in the number of applications at the local level - with some local agencies exhausting their allocations sooner. The available funding will be prioritized to those with the lowest income and highest energy burden.
- Connecticut: the state set their income eligibility level at 60 percent of state median income as a result of state statute. Benefits were also set in statute. There is concern that the high cost of fuel will result in households exhausting their benefits early in the heating season and there will not be sufficient funding available to provide adequate benefit levels throughout the winter heating season.
- Delaware: the state will serve up to 20 percent fewer households than in FY 2007 in order to maintain adequate benefit levels. Delaware's average benefit is \$355 which currently buys at least 100 gallons of heating oil, propane or kerosene. While the \$355 benefit is not a problem for those homes heating primarily with gas or electricity, approximately 50 percent of Delaware's LIHEAP households heat with delivered fuel. In many situations vendors will not deliver less than 100 gallons of fuel to a home without adding a surcharge. For this reason, the state did not want to lower their benefit levels from last year.

In some rural areas the minimum delivery is 150 gallons. If the state were to lower the average benefit, LIHEAP or the customer would be paying a premium just to have the fuel delivered. The state believes that this approach would be unacceptable and therefore they have opted not to reduce the benefit level this year. In many instances the LIHEAP benefit is only about 20 percent of the household's total winter heating bill; if the winter is especially cold, the LIHEAP percentage will be even lower.

- Hawaii: the state takes applications late in the fiscal year, so by the time benefits are paid, final funding information is known. The program is designed to divide the number of applicants by the amount of funding so any national increase/decrease affects the average payment amount. The one-time payment currently doesn't cover two months' average bills. The main electric companies just increased rates, so the LIHEAP benefit will probably not even cover one month's costs this year.
- Iowa: the state has cut the program's regular grant by 7% this year compared to last. The statewide average grant for 08 is \$300. Two years ago it was \$450. The situation is particularly dire for deliverable fuel customers. In many situations a regular and an emergency grant must be issued simultaneously for deliverable fuel customers to be able to barely meet minimum delivery requirements. Iowa is projecting an increase in participation this year with households' heating costs being 10-20% higher than last year.

- Kentucky: the state is expecting to maintain benefit and eligibility levels; in light of the reduction in federal funding, they are expecting to have to reduce the number of households served. With last year's funding, Kentucky was able to serve 100,566 households with basic grant funds and 123,728 with crisis assistance. Kentucky's program generally operates until the end of March and into April as funding allows, but could run out of funds as early as next February. Kentucky has made no change to its eligibility criteria or benefit structure, but will reduce the number served as necessary based on final funding.
- Maine: for the more than 84 percent of the LIHEAP households that heat with oil or kerosene, the cost of oil as of 11/6/07 averaged \$3.09 per gallon and kerosene at \$3.40 per gallon. An average benefit of \$579 to service 48,000 households will only purchase 193 gallons of oil and with the cost of kerosene at \$3.40 this benefit will only purchase 170 gallons. This will provide two to three weeks of home heating in most low income housing. The average household's income is \$13,000 annually, and many senior citizens have only \$7,000 a year to survive on. Right now Maine would need to receive another \$17.5 million just to provide a \$370 supplemental benefit to LIHEAP households and this will still not provide the same relief as in past program years.
- Maryland: the state increased their grant amounts this year but reduced eligibility from 200 percent of the federal poverty level to 175 percent. With level funding the state could run the risk of expending all funds without serving all those that apply and are eligible. The state has decided to increase benefits due to increasing fuel prices even prior to knowing the final program funding level. As a result, the state may not be able to serve all those that apply. This situation further points out the difficulty of planning without knowing funding levels before the heating season begins. Applications received through the end of November are running approximately 4,000 ahead of last year for the same time period.
- Massachusetts: The combination of reduced federal funding coupled with increasing fuel costs is eroding the impact of LIHEAP benefit dollars. This downward progression is badly hurting low-income households in Massachusetts, particularly the program's vulnerable groups of the frail elderly, persons with disabilities and households with small children. The average retail price for home heating oil on November 27 in Massachusetts was \$3.26 per gallon versus \$2.34 per gallon in 2006. This means that each LIHEAP benefit dollar purchased approximately a dismal 39 percent less heating oil than in the same week in 2006.

Heating oil is used by approximately 40 percent of Massachusetts LIHEAP households so these cost increases hit a huge portion of the approximately 141,000 households served on average each year. LIHEAP funding has not kept pace with the reality of energy cost increases. LIHEAP applications levels were very strong prior to the official start of program year on November 1. In total, 90,272 households submitted applications to local fuel assistance operators before the program even opened. Client households are also dramatically impacted by rising electric and natural gas costs. According to the Massachusetts Affordable Reliable Electricity Alliance, natural gas households will see their heating costs rise by 10 percent.

- Michigan: the state reduced the maximum amount it will pay to prevent shut-off or to restore payments from \$550 per household to \$350 per household for natural gas and electricity and from \$850 to \$650 for households using deliverable fuels in June 2007 due to lack of sufficient funds to meet the demand during the last fiscal year that ended 9/30/07. Michigan will continue that reduction into FY 2008 and is closely monitoring weekly expenditures with these reduced maximums in place to determine if additional reductions will be needed to stay within available funds. If the high rate of expenditures the state experienced in October continues, an additional reduction in these maximums will be needed without additional funds.

- Minnesota: the state is maintaining current eligibility and benefit levels but could run out of funds as early as February.
- Nebraska: deliverable fuels make up around 12 percent of the heating fuels used; the rest is provided by natural gas and electricity. Nebraska is not planning on reducing benefits but is looking at how much they can pay in crisis funds for a household this early in the heating year. Nebraska runs a year-round crisis program along with a cooling program and will continue to make heating/cooling payments and crisis payments as long as they have the funding to do so.
- Nevada: If additional funding is not provided, the state is considering capping benefits or perhaps limiting programs designed to help families reduce arrearages. The number of applicants has increased by 4.5 percent since this time last year, which may be a direct result of rising energy costs. In addition, the state's major utilities sources are proposing a 15 percent increase in rates which, if approved, will most likely continue to increase the number of applicants.
- New Jersey: The cost of deliverable fuel is significantly higher than last year. The challenge is trying to ensure that energy assistance payments are sufficient to purchase a minimum delivery of 150 gallons and providing enough assistance to make it through the heating season. Most low-income housing is not energy efficient so the challenge is also to increase the number of homes that receive weatherization, including high efficiency heating systems, to make the amount of fuel purchased last longer. The amount of basic and crisis assistance and number of households served is not in jeopardy but there will be no supplemental benefits if additional funding is not received. There has been a steady increase in the number of households served and the number of seniors served each year. New Jersey has completed a special outreach mailing to low-income elderly who made need but have not applied for assistance in the past.
- New York: the state has increased the program's maximum regular grant by \$100 to \$540 in order to maintain the program's purchasing power. The program has only been open for two weeks and they are finding many situations where a regular and an emergency grant must be issued simultaneously for deliverable fuel customers to be able to meet minimum delivery requirements. This means that a household's entire LIHEAP benefit amount will be exhausted in November. If additional funding is not provided, the state will have to reduce the number of households receiving benefits.
- Ohio will have to cut back its regular benefit by between 15 and 20 percent. The cost of all utilities is up across the board, mostly for propane and heating oil. In addition, Ohio has already received about 10 percent more applications this year than last year at this time.
- Pennsylvania: the state is planning on maintaining current eligibility and benefit requirements but anticipated serving fewer households if federal funding is not increased.
- Rhode Island: the state expects to serve 15 percent fewer families this year compared to last year and has reduced its average primary grant benefit from \$475 to \$350. Even with reducing the average benefit, Rhode Island will assist approximately 15 percent fewer families as compared to last winter.
- Texas: the state operates a year-round energy assistance program. Their eligibility criteria is set at 125 percent of the federal poverty level. They are expecting to serve only six percent of the eligible population, down from seven percent in FY 2008.

- Utah: The state will be increasing the average grant from \$500 to \$525. Because the Utah economy and labor market is doing so well, last year was the first year in over a decade that the numbers decreased (by about 10%). The state is also very concerned about the increasing price of home energy and the impact on affordability: the cost of electricity cost is expected to increase by 10 percent while natural gas rate will decrease by 9 percent after a 39 percent increase two years ago.
- Virginia: the state will serve all eligible households who apply during the application period. In order to do so, they are expecting to reduce the percent of heating costs covered by the program grant. The state is concerned that as a result of the expected reduction in purchasing power, it could prove to be very difficult for households that use deliverable fuel, since most vendors have minimum delivery requirements that will likely well exceed their benefit amounts.
- Washington: In order to adjust payments to offset rising energy prices, the state expects to have to reduce the number of households served by approximately nine percent.
- Wisconsin: the state develops the upcoming heating season benefit formula by August. The formula is based on projected caseloads and projected funding levels and is designed to pay all projected caseload with projected funding levels. For FY 08, Wisconsin projected the heat caseload at 150,000 and the funding level at the same funding level as FY 07. If funding levels were to decrease to a lower level than FY 07, Wisconsin could potentially run out of money and have to stop paying eligible households prior to May 15th.
- Wyoming: Program benefit levels are not being reduced because supplemental assistance is being made available from the State General Fund. Program applications have increased since the beginning of the program year.

LIHEAP: FY 08 Basic Grant Appropriations Status (\$'000)					
State	FY 2006	FY 2007	FY 08 President	FY 08 Congress	Energy Policy Act
Alabama	\$31,310	\$16,770	\$12,645	\$16,770	\$87,205
Alaska	16,475	10,704	8,071	10,704	26,002
Arizona	15,142	8,110	6,115	8,110	42,233
Arkansas	22,765	12,796	9,648	12,796	47,082
California	153,182	89,963	67,835	89,963	316,814
Colorado	43,165	31,367	23,652	31,367	58,158
Connecticut	62,727	40,920	30,855	40,920	98,878
Delaware	10,140	5,431	4,095	5,431	21,871
District of Columbia	7,851	6,355	4,792	6,355	16,239
Florida	49,541	26,534	20,007	26,534	138,181
Georgia	39,170	20,979	15,818	20,979	109,253
Hawaii	2,555	2,113	1,593	2,113	5,284
Idaho	14,370	12,235	9,226	12,235	29,721
Illinois	187,251	113,259	85,401	113,259	301,871
Indiana	72,682	51,280	38,666	51,280	111,654
Iowa	50,013	36,343	27,404	36,343	60,776
Kansas	26,798	16,690	12,585	16,690	55,424
Kentucky	44,346	26,686	20,122	26,686	91,718
Louisiana	32,009	17,144	12,927	17,144	85,072
Maine	36,480	26,509	19,989	26,509	47,034
Maryland	58,499	31,332	23,625	31,332	136,730
Massachusetts	112,639	81,853	61,720	81,853	157,890
Michigan	147,974	107,529	81,080	107,529	199,566
Minnesota	106,606	77,469	58,414	77,469	90,280
Mississippi	26,843	14,377	10,841	14,377	74,871
Missouri	76,035	45,240	34,112	45,240	123,142
Montana	22,088	14,351	10,821	14,351	34,861
Nebraska	27,661	17,973	13,552	17,973	43,658
Nevada	7,112	3,809	2,872	3,809	19,836
New Hampshire	23,846	15,493	11,683	15,493	37,634
New Jersey	105,244	75,986	57,296	75,986	160,368
New Mexico	11,925	10,153	7,656	10,153	24,663
New York	341,432	248,112	187,084	248,112	471,752
North Carolina	69,037	36,976	27,881	36,976	164,462
North Dakota	23,995	15,590	11,755	15,590	37,869
Ohio	158,789	100,194	75,549	100,194	252,854
Oklahoma	28,780	15,415	11,623	15,415	64,604
Oregon	24,591	24,311	18,331	24,311	42,504
Pennsylvania	183,399	133,273	100,492	133,273	272,515
Rhode Island	20,737	13,473	10,159	13,473	32,728
South Carolina	24,866	13,318	10,042	13,318	69,357
South Dakota	19,488	12,662	9,548	12,662	30,756
Tennessee	46,362	27,033	20,384	27,033	95,888
Texas	82,421	44,144	33,286	44,144	229,887
Utah	22,434	14,576	10,991	14,576	35,407
Vermont	17,872	11,613	8,757	11,613	28,208
Virginia	71,258	38,166	28,778	38,166	149,727
Washington	40,449	39,988	30,152	39,988	64,001
West Virginia	23,818	17,660	13,317	17,660	49,261
Wisconsin	95,961	69,733	52,581	69,733	105,404
Wyoming	8,983	5,836	4,401	5,836	14,176
Territories/HHS Training	3,658	2,951	2,294	2,951	7,171
Leveraging	27,225	27,225	27,500	27,225	27,500
Total	\$2,980,000	\$1,980,000	\$1,500,023	\$1,980,000	\$5,100,000

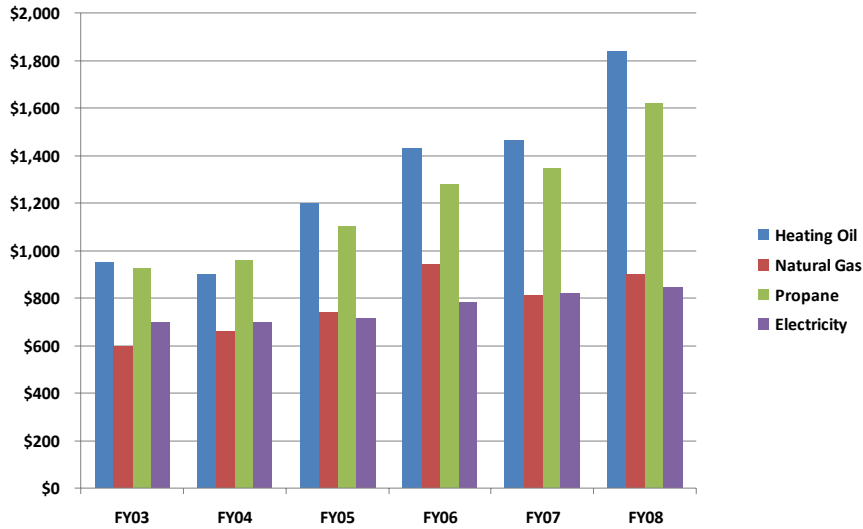
1/ FY 06 included \$1 billion in supplemental funding.

2/ FY 07 included \$181 million in emergency contingency funding

3/ Adm. FY 08 Budget included \$282 million in contingency funds

4/ FY 08 Appropriations, as passed, included \$432 million in contingency.

Est. Change in Home Heating Costs (FY 03 - FY 08)



Est. Change in Home Heating Costs (FY03-FY08)

Fiscal Year	Heating Oil	Natural Gas	Propane	Electricity
2003	\$951	\$600	\$926	\$697
2004	\$903	\$659	\$962	\$699
2005	\$1,198	\$743	\$1,102	\$717
2006	\$1,430	\$945	\$1,281	\$782
2007	\$1,466	\$813	\$1,349	\$823
2008	\$1,841	\$900	\$1,622	\$845
% Change 03-08	93.6%	50.0%	75.2%	21.2%

Source : US Energy Information Administration, Winter Fuels Outlook