

NEADA

National Energy Assistance Directors' Association

June 21, 2019

Nancy Potok
Chief Statistician of the United States
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Dear Ms. Potok:

I am writing in reference to your request for comment on potential changes to how consumer inflation measures are applied to the Official Poverty Measure (OPM) produced by federal statistical agencies. On behalf of the National Energy Assistance Directors' Association (NEADA), representing the state directors of the Low Income Home Energy Assistance Program (LIHEAP), I am requesting that prior to implementing any changes to how the OPM is adjusted for inflation, the federal government first conduct a comprehensive assessment of the impact the proposed changes have on low income households.

NEADA members are very concerned that any change that decreases the rate of inflation calculation could reduce or eliminate LIHEAP eligibility for many low-income households, particularly those that are already close to the current eligibility thresholds. Without access to energy assistance, some of these families could be at risk of losing their heating or cooling, or have to cut back on other essentials.

Many LIHEAP recipient households include some of our nation's most vulnerable individuals. A 2018 survey conducted by the National Energy Assistance Directors' Association (NEADA) found that:

- 46 percent of LIHEAP households had a senior in the households aged 60 or older
- 52 percent had a disabled household member
- 36 percent had a child 18 or younger

These individuals are particularly at risk when they lose access to heating or cooling. The NEADA survey found that one-third of low-income households who received LIHEAP assistance in 2018 received shut-off notices and 15 percent had their heating or electricity shut off before assistance could be provided. For many, this dynamic reflects the difficult choices low-income families must make on whether to purchase food, medicine, or other essentials, or pay for energy.

Any change in the inflation adjustment for the OPM that reduces the rate of increase below the present rate will mean households currently receiving LIHEAP will no longer be eligible for the benefit, even though their financial situation has not changed. This is problematic because even the current method for adjusting the poverty line for inflation – based on the consumer price index for all urban consumers (CPI-U) – may overstate inflation for the poor. Specifically, housing costs have increased significantly faster than other goods and services captured in the CPI-U. Because poor households spend a disproportionate amount of their income on housing, the current method for inflation adjustment actually lags behind poor households' increasing expenses. A change to an inflation index that increases even more slowly than the CPI-U will exacerbate this problem over time because changes to the inflation adjustment are

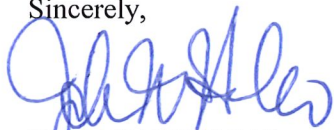
compounding, so every year more families that would have otherwise received assistance will be deemed ineligible for LIHEAP while their household expenses continue to climb.

Such a change would have an unfortunate impact of increasing hardships for people who work for low and volatile wages, and for retirees who were unable to build adequate savings due to low earnings. The NEADA LIHEAP survey found that 42 percent of respondents had only received LIHEAP one or two years out of the past five. These are families who only apply for assistance when their incomes become temporarily unstable. The Eviction Lab at Princeton University found that nonpayment of energy bills was one of the last warning signs before a family faces eviction. In these cases, LIHEAP can be the safety net that stops the downward spiral into untenable poverty or homelessness for a family facing temporary hardship. It is exactly these families on the edge of LIHEAP eligibility who are the most likely to be harmed by reducing the inflation adjustment.

The Federal Reserve Board's *Report on the Economic Wellbeing of U.S. Households in 2017* found that 40 percent of Americans could not cover a \$400 emergency expense. In 2019, the average LIHEAP grant was approximately \$492. Families that rely on LIHEAP to keep their homes at safe temperatures in the winter and summer cannot afford to have their benefits taken away because of a change to the inflation adjustment that does not consider how inflation affects low-income households differently than moderate- or high-income households, let alone the economy as a whole. Instead, we urge the Office of Management and Budget to assess how potential changes will affect not only the national budget, but also the household budgets of the families that rely on federal programs to make ends meet.

We appreciate the opportunity to submit these comments. Please contact us regarding any information that could assist your office in its review of the inflation calculations used to adjust the Official Poverty Measure.

Sincerely,



JOHN HARVANKO
Chair, NEADA