

*Testimony of Mr. John J. Drew  
Before the Select Committee on Energy Independence and Global Warming  
U.S. House of Representatives*

*September 25, 2008*

Thank you, Chairman Markey and Members, for the opportunity to speak to this distinguished Committee on the future of LIHEAP funding.

In Massachusetts, the current picture for LIHEAP funding and for the low-income households which depend upon it is bleak. However, there is a strong partnership in place between the state government and the local agencies which deliver energy services. This network can provide effectively targeted energy resources to low-income families—with a high degree of accountability, and streamlined linkages to energy efficiency services.

In response to the questions posed by the Committee, I would like to offer the following comments.

**1. Role of States in Implementation of LIHEAP**

Individual states have wide authority in determining LIHEAP program structure and benefit levels. States are required to develop a LIHEAP program plan which conforms to basic requirements established by HHS, with input from a wide range of stakeholders; HHS then reviews and approves the program plan.

This flexibility has allowed for a wide range of delivery structures. For example, in Massachusetts all LIHEAP payments are made directly to fuel vendors, not to consumers, allowing for a high degree of accountability and effective targeting of benefits. Massachusetts has also chosen to establish relatively high dollar values for individual benefits.

**2. State Flexibility in Determining Eligibility for Benefits**

The Federal regulations governing LIHEAP stipulate that no household with income above 200% of the Federal poverty level can receive benefits. However, individual states may at their discretion establish a lower income level for eligibility. States can also establish various levels for household benefits based on income, household size, or other variables.

Once again, this high degree of flexibility allows states to focus the benefits of the program in ways which reflect local costs of living. However, in very high-cost states such as Massachusetts, there remain a significant number of households with incomes above 200% of the poverty level which are nevertheless suffering serious deprivation due to the rising cost of fuel. By providing additional flexibility to states in establishing

eligibility, for example up to 80% of the median income, LIHEAP could reduce the burden on these households.

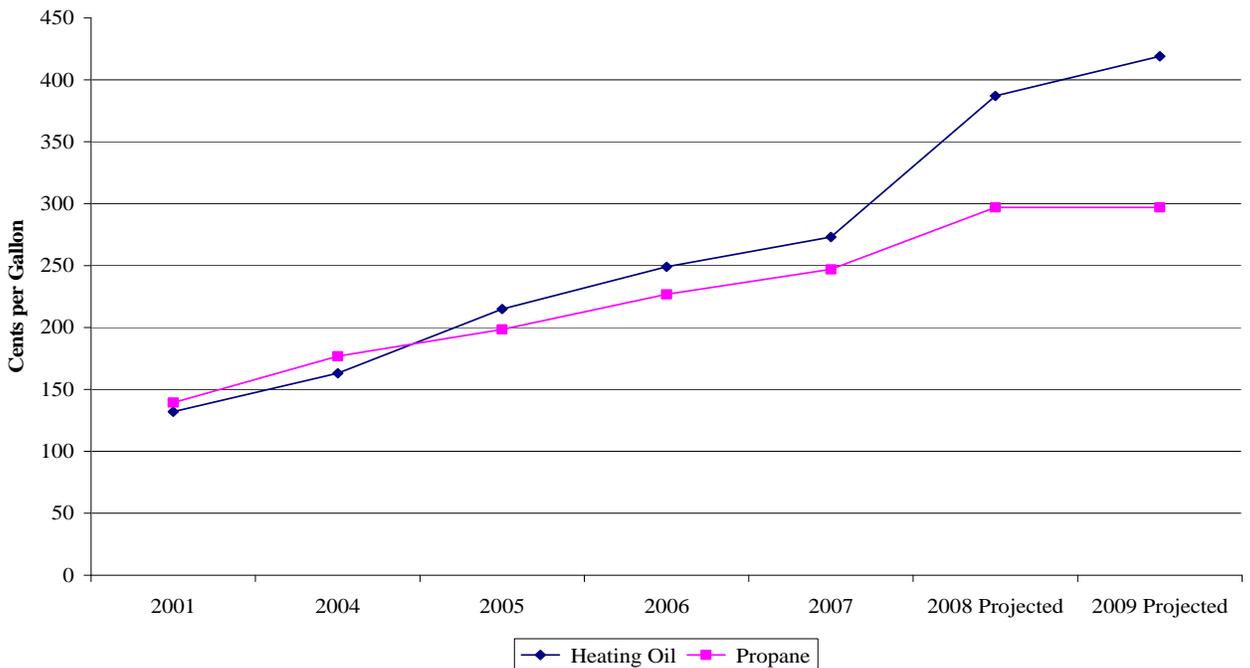
### 3. Anticipated Increases in the Cost of Fuel

Fuel markets continue to be extremely volatile, and therefore precise prediction of the cost of heating fuels is difficult.

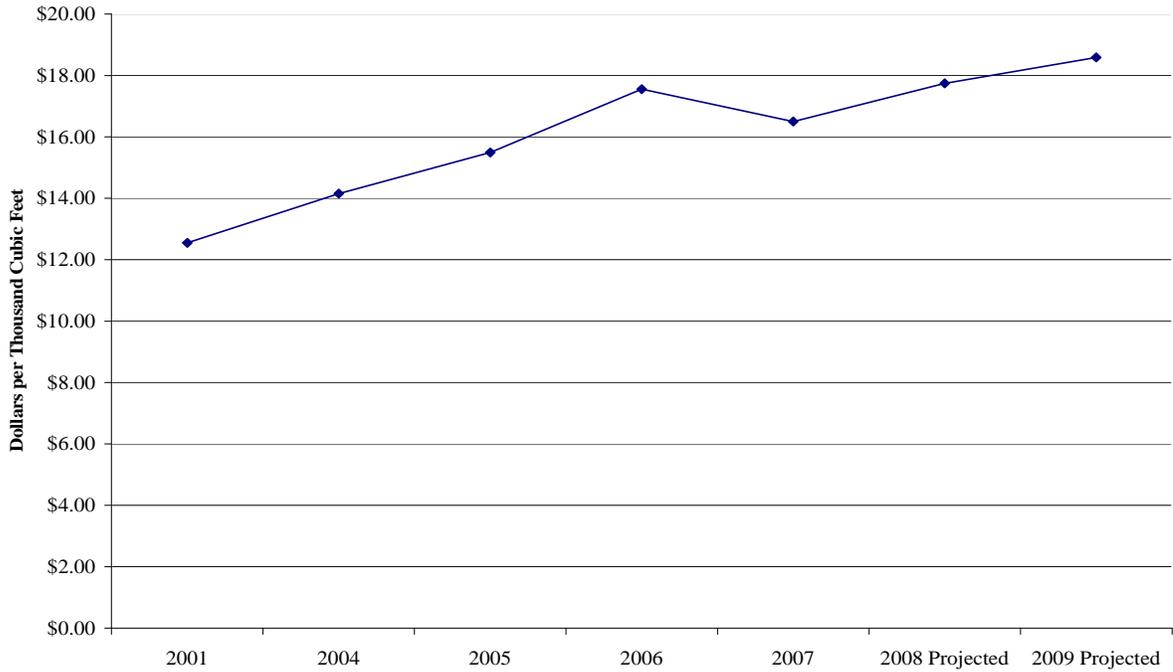
What is clear is that the cost increase during this heating season is unlikely to be less than last year's. During the past year the price of a barrel of heating oil fluctuated by over \$50; heating costs for the Massachusetts oil user rose by more than 25%. A recent report from the University of Massachusetts Donahue Institute, citing information from the US Energy Information Administration, projected increases in oil prices of over 30%, and increases in natural gas prices of approximately 16%.

The following charts, prepared by the National Consumer Law Center, Inc., demonstrate the magnitude of recent increases.

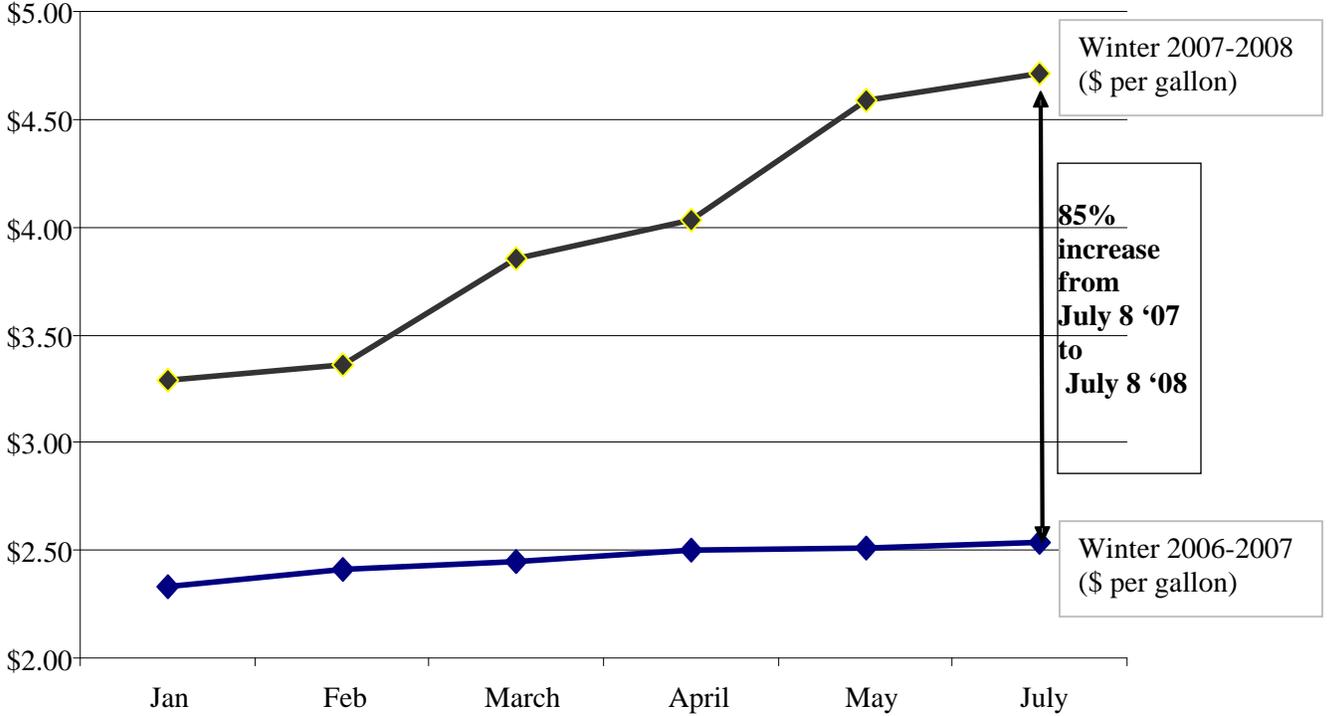
**Average Residential Heating Oil and Propane Prices:  
Northeast Census Region**



### Average New England Residential Natural Gas Prices



### Massachusetts Retail Heating Oil Prices



#### 4. Impact of Other Rising Costs on the Need for LIHEAP Assistance

In Massachusetts household incomes have generally been flat, and unemployment is rising. At the same time, the overall cost of living has jumped by some 6%. There have been notable increases in the cost of staples such as milk and bread.

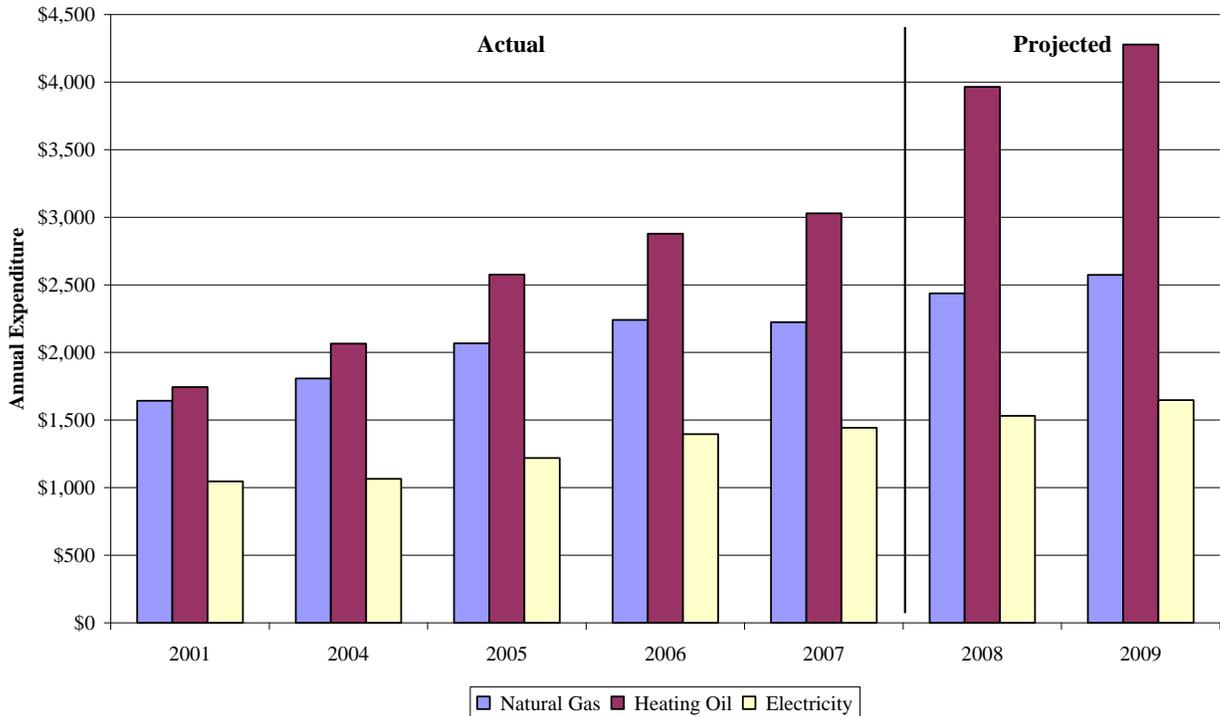
As a result, even households that were formerly comfortable are stressed economically, and those that were just able to make ends meet are now facing an emergency with no end in sight. A much larger proportion of our citizens are now confronting the “heat or eat” dilemma that once was limited to the poorest of the poor. Food banks are seeing a influx of new customers, and we expect an increase in the number of Fuel Assistance applications.

So, while we need more LIHEAP funds to meet the needs of those already connected with the program, we also need funds to assist new applicants who have never been forced to seek help before.

#### 5. Outlook for this Winter

The impact of fuel price increases, in conjunction with current LIHEAP benefit levels, it increased hardship for low-income households. In fact, unless there is a substantial increase in LIHEAP funding, we will face the probability that hundreds of thousands of households will run out of assistance by January, in the depth of the Massachusetts winter.

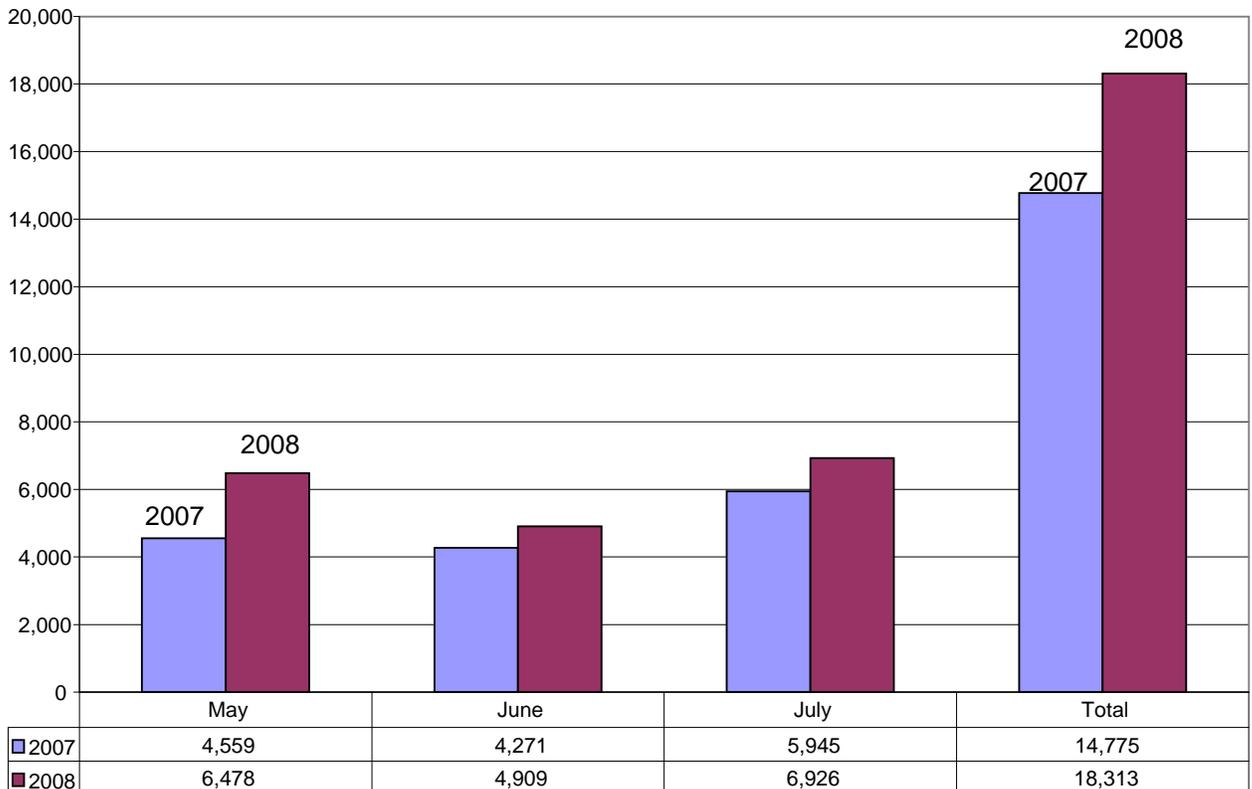
**Average Home Energy Expenditures by Heating Fuel:  
New England LIHEAP Eligible Households**



This is a matter of simple arithmetic. Currently the average retail cost of oil is \$3.69 per gallon; the average tank size is 275 gallons, and the cost to fill a tank at current prices is \$1,015. Therefore, current oil prices, the maximum household benefit of \$735 set by Massachusetts will allow for the delivery of less than one tank of oil. In an average winter, most households use three to four tanks of oil. The oil paid for by LIHEAP this year will run out before Christmas.

The situation for households heating with natural gas is little better. The average gas consumer in Massachusetts spends from \$1,500 to \$2,500 over the course of a heating season, and will also have exhausted LIHEAP benefits by Christmas. The immediate impact of higher utility costs is a rising level of utility terminations. We are currently seeing approximately 15,000 utility terminations statewide, with an increase of 10 to 20% in the number of termination notices over last year. (During the past spring, over 100,000 low-income households were threatened with shut-offs.) The average arrearages Boston LIHEAP clients have accrued since the last heating season is \$1,100; these households are at high risk of shut-off after the end of the winter moratorium. The following chart, showing the recent level of terminations for a single Massachusetts utility provider, shows the rapidly escalating number of cases.

### MECO Total Household Service Terminations



The human face of these cost increases is striking.

- John MacPherson, 82, a World War II veteran living on monthly Social Security and veterans' disability checks totaling \$ 1,032, paid over one-third of his income for heating last year. He eats instant noodles for many meals, keeps his thermostat at 68, and limits how often he drives or goes out.
- Wilhelmina Mathis, 74, spent the coldest months of last year sitting by the oven, wrapped in a parka. She shut down most of the rooms in her house and "turned the thermostat down as far as it would go without turning off."
- Sandra Sales, 41, a disabled mother of three, also heated her home with the kitchen oven last year. She has barely averted having her gas service shut off; despite receiving \$600 in LIHEAP assistance, she owed more than \$2,400 in utility bills.

In addition to the sheer magnitude of the dollars needed, timing is critical. Our oil heating customers pay Cash on Delivery. Unless we are able to get funds to them in a timely manner, they may still go without heat this winter. Funds are not only needed, but needed now.

## **6. Impacts on Children and the Elderly**

Obviously the lack of heat in mid-winter is a life-threatening emergency for elders and infants.

Local researchers at the Grow Clinic for Children at the Boston Medical Center have demonstrated that the inability to cover high heating costs has significant long-term impacts on children's health—including reduced growth, developmental delay, and more frequent illnesses. ABCD's Head Start programs see children whose only experience of being in a warm room is during the school day; these children, understandably, lag behind their peers.

Our own survey research at ABCD has confirmed that elders and parents of young children will take extreme and sometimes dangerous steps to save on heating costs when they have exhausted LIHEAP benefits. These consumers reported cutting back on food and medication, staying in bed during the day to stay warm, and heating with gas stoves or space heaters.

Even in years during which LIHEAP benefits were more generous, households in need suffer the consequences of dangerous heating decisions, as the continued high number of casualties caused by space heater fires and carbon monoxide poisoning demonstrate. Similarly, cases of hypothermia reported by Boston-area emergency rooms spike during

periods of elevated heating costs. This year, given the convergence of historically record-breaking costs and reduced benefits, all low-income populations are at risk.

One way in which this risk is being felt is in increased rates of homelessness among households facing heating crisis. When the heat is turned off or oil runs out in mid-winter, renters may abandon their housing or be evicted. These families appear in our housing department, often with nowhere to turn.

The physical hazards experienced by the most vulnerable households are exacerbated by the constant anxiety and the sense of powerlessness which results from being unable to meet the basic needs of one's family. This is the kind of trauma that contributes to disabling depression in so many of the families we work with.

## **7. LIHEAP Funding for Conservation Efforts**

LIHEAP serves as an efficient gateway to a wide variety of conservation resources in Massachusetts. Once a household is determined to be eligible for LIHEAP, they have immediate access to Department of Energy-funded Weatherization, HEARTWAP (heating system replacement or repair), all utility discount programs, and a wide variety of utility-funded energy efficiency programs. Through the system of Community Action Agencies largely responsible for delivering LIHEAP benefits in Massachusetts, they can also access a comprehensive array of programs which help meet emergency needs and promote family self-sufficiency.

In Massachusetts, some \$8 million of the State's base LIHEAP allocation of \$81 million is devoted to funding HEARTWAP, which supports heating system tune-ups, repair, and boiler replacement.

## **8. Potential Means of Increasing Investment in Energy Efficiency**

Massachusetts is fortunate in that state regulation has encouraged a high level of investment in energy efficiency programs by utilities. This emphasis has recently been strengthened by passage of the Massachusetts Green Communities Act, which encourages utilities to increase this investment.

## **9. Policy Options for Expanding and Improving LIHEAP**

We strongly recommend two changes in the current LIHEAP program.

First, Massachusetts needs the option of broadening eligibility to reach the expanding group of households which live above 200% of the poverty level, but which are suffering due to inability to afford rising fuel costs.

Second, Massachusetts needs a substantial and immediate increase in the amount of funding available for LIHEAP in order to meet, at even a minimal level, the most basic survival needs of low-income families.

In this context, it may be useful to recall the beginnings of the LIHEAP program in the first “oil shocks” of the 1970’s. At that time, LIHEAP benefits were structured to make up the gap between normal household expenditures on heating, and the suddenly escalating costs which had outstripped families’ ability to pay. Over the past three to five years, the relative value of LIHEAP benefits has eroded to the point that they no longer assure families access to adequate heat in winter. The result has been a steadily escalating level of arrearages, shut-off, and households attempting to survive New England winters in unsafe conditions.

In order to return LIHEAP funding to the level which would enable us to provide households with two tanks of oil, we need an additional \$100 million in Massachusetts. The timing of these funds is critical, as well—in order to address the emergency, we need them very soon. It is imperative that the Federal government appropriate these funds and make them available to states in time to allow low-income households and the organizations that work with them time to plan for the winter.

If this effort fails, we will leave hundreds of thousands of households in real danger, with no place to turn.

In conclusion, I would like to thank the Committee for taking this critical topic under consideration. I sincerely hope that the work of this Committee will result in action to prevent the severe suffering which may otherwise result this winter from the combination of limited LIHEAP funding and catastrophic increases in the cost of food, fuel and other necessities.