

TESTIMONY OF
THE NATIONAL ENERGY ASSISTANCE DIRECTORS' ASSOCIATION

ON THE
THE LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

BEFORE THE

SELECT COMMITTEE ON
ENERGY AND CLIMATE CHANGE
U.S. HOUSE OF REPRESENTATIVES

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The members of the National Energy Assistance Directors' Association (NEADA), representing the state directors of the Low Income Home Energy Assistance Program (LIHEAP) are pleased to present this testimony on the role of LIHEAP in meeting the heating and cooling needs of some of the nation's poorest families. The members of NEADA would like to first take this opportunity to thank the members of the Select Committee for holding today's hearing on the importance of higher funding for LIHEAP to help low income families pay their home energy bills this year.

The appropriation level for FY 2008 was \$2.57 billion of which \$1.98 billion was provided in formula grant assistance. The remaining \$590.3 million was provided in the form of emergency contingency funding that can only be released by the President; all of which were released as of September 19, 2008.

The President's Budget for FY 09 would reduce the LIHEAP budget by 22 percent from \$2.57 billion to \$2.0 billion. The impact on low income households would be severe. States would have few choices but to either reduce the share of home heating costs covered from 36.0 percent to 28.2 percent or the number of households served by 1.2 million from 5.7 million to 4.5 million. The Budget recommendations are very disappointing in light of continued high home energy prices and reports of rising arrearages and shut-off rates across the country.

For FY 2009, we are supporting the preliminary recommendation contained in the House Appropriations Committee discussion draft to fund LIHEAP at the authorized level of \$5.1 billion.

Why are the additional funds needed? First, winter home heating costs have been increasing rapidly since the end of the last economic recession in 2002. Between the winter of 2002-03 and the upcoming winter heating season, the price of home heating is projected to increase by almost 70 percent from \$681 to \$1,152. For heating oil, the price change is even more dramatic, an increase of almost 177 percent.

Est. Winter Home Heating Costs: US Average (2002/2003 to 2008/2009)					
Winter Heating Season	Heating Oil	Natural Gas	Propane	Electricity	Average
2002-03	\$912	\$599	\$918	\$702	\$681
2003-04	\$886	\$659	\$953	\$703	\$712
2004-05	\$1,176	\$738	\$1,103	\$722	\$793
2005-06	\$1,409	\$943	\$1,277	\$787	\$948
2006-07	\$1,445	\$815	\$1,347	\$828	\$900
2007-08	\$1,939	\$855	\$1,673	\$858	\$986
2008-09	\$2,524	\$1,017	\$1,890	\$944	\$1,152
% Change 02-08	176.8%	69.8%	105.9%	34.5%	69.2%
% Change 07-08	30.2%	18.9%	13.0%	10.0%	16.8%

Second, the purchasing power of LIHEAP has not kept pace with the rise in home energy costs. Since 2006, the average grant has decreased from \$458 to \$355, while the purchasing power has decreased from about 48 percent of the cost of home heating to 36 percent. Preliminary reports from state agencies show that applications are increasing and many expect the number of households served to increase by an additional 10 to 20 percent over last year's near record levels.

Est. Average % of Home Heating Purchased with LIHEAP (FY 06- FY 08)

Fiscal Year	Heating Oil	Natural Gas	Propane	Electricity	All Fuels
2006	32.5%	48.6%	35.9%	58.2%	48.3%
2007	21.6%	38.4%	23.2%	37.8%	34.7%
2008	18.3%	41.5%	21.2%	41.3%	36.0%

Est. Households Served & Average Grant (FY 06- FY 08)

Fiscal Year	Appropriation (in thousands)	Households (in thousands)	Average Grant
2006	\$3,162,000	5,521	\$458
2007	\$2,186,000	5,592	\$313
2008	\$2,570,000	5,798	\$355

Source: Energy Information Administration, State reports.

By increasing the funding level to \$5.1 billion, states would be able to raise the share of home heating cost covered from 36 percent to 50 percent and add up to two million additional households to the program, bringing the total number served to 7.8 million households.

Arrearages and Shut-Offs

One indicator of the rising need for energy assistance is the increase in arrearages and shut-offs. The National Regulatory Research Institute, for example, in a recent report found that past-due gas utility accounts rose from 16.5 percent in 2001 to 21 percent in 2006. Last spring, in a survey conducted by NEADA, states reported that 1.2 million households were cut off from natural gas and electric service due to nonpayment of their energy bills. Several states reported significant increases in arrearage and shut-off rates from previous years. In addition, we are also learning that traditional arrearage management programs that provide matching payment programs to help families reduce their outstanding debt are becoming less and less effective. States are reporting that families increasingly do not have the resources to meet matching payment requirements and as a result are at greater risk of shut-off.

Impact of Rising Energy Costs on Low and Moderate Income Families

NEADA recently released the first national survey showing how rising home energy and gasoline costs are impacting households by income. Among the key findings of the report are:

- **Low- to moderate-income households are likely to have missed energy bill payments and even have their service terminated.** They are also likely to have gotten behind on credit card bills, mortgage or rent, and car payments. High-income households were much less likely to report that they made these kinds of sacrifices.

- **Low-income households made many sacrifices to make up for increased home energy and gasoline costs:** 70 percent said they reduced purchases of food, 31 percent said they reduced purchases of medicine, and 19 percent said they changed plans for their education or their children's education.
- **Increased home energy and gasoline prices have had a large impact on households, especially those with low and moderate incomes:** 60 percent of low-income households, 49 percent of moderate-income households, and 42 percent of middle-income households said that it was more difficult for them to pay their energy bills than in the previous year.
- **Low-to middle-income households were likely to report that they made compromises with their energy use:** 37 percent of low-income, 35 percent of moderate-income, and 31 percent of middle-income households said they closed off part of their home because they could not afford to heat or cool it. 31 percent of low-income, 24 percent of moderate-income, and 19 percent of middle-income households said they kept their home at a temperature they felt was unsafe or unhealthy.
- **Despite these sacrifices, many low- and moderate-income households were still unable to afford their energy needs:** 29 percent of low-income and 20 percent of moderate-income households said that they skipped paying their home energy bill or paid less than the full bill, 8 percent of low-income and 8 percent of moderate-income households said they had their electricity shut off and 12 percent of low-income and 4 percent of moderate-income households said they had their natural gas shut off. Middle and high-income households were much less likely to report that they faced these problems.

Public Health Consequences of Unaffordable Energy

Unaffordable home energy presents a threat to public health and safety directly in the following ways:

- Households respond to high bills, arrearages, or worries about incurring high costs, by choosing not to heat their homes adequately in winter or cool them during the summer, or by using unsafe means to heat or illuminate their homes, for example, heating with a kitchen oven or barbeque grill or lighting by means of candles. Utility service shutoffs directly threaten health in this manner. In addition, when homes in poor structural shape need weatherization, it may be prohibitively costly or impossible to keep interiors within a safe temperature range.
- Lack of access to energy assistance also threatens health indirectly. The squeeze put on home budgets by high utility bills and the threat of shutoff leads households to make difficult trade-offs, purchasing heat or electricity for air-conditioning instead of food or medications. In northern states, for example, poor families with children spend less on food, and children eat fewer calories, compared with higher-income families (Bhattacharya et al., 1993). Poor seniors in the north are also more likely to go hungry in late winter and early spring, while seniors in the south, where energy bills for air-conditioning can be high, are more likely to go hungry in late summer (Nord and Kantor, 2006).

- Seasonal differences in heating and cooling costs explain much of the difference in hunger prevalence for low-income households with school-aged children. Young children from families that are eligible for but not enrolled in energy assistance are more likely than children from families receiving LIHEAP to be small for their age (underweight) and more likely to need hospital admission on the day of a health care visit (Frank et al., 2006).
- Researchers from the Children’s Sentinel Nutrition Assessment Program (C-SNAP) at the Boston Medical Center, conclude that “the health consequences of trade-offs in spending can be serious especially for the youngest children. The first three years of life are a uniquely sensitive period of extraordinary brain and body growth; the cognitive and physical development that takes place at this stage will never occur to the same degree again. Babies and toddlers who live in energy insecure households are more likely to be in poor health; have a history of hospitalization; be at risk of developmental problems and be food insecure.”

Energy Efficiency Can Help Increase Energy Affordability for Low Income Families

State LIHEAP programs work closely across the country with weatherization agencies to help increase the energy efficiency of low income homes, thereby increasing a family’s ability to pay their home energy bill. LIHEAP program legislation allows states to transfer up to 15 percent of their total allotment and up to 25 percent with a waiver from HHS to help support these efforts. On average states transfer up to 10 percent of their total LIHEAP allotment annually or about \$250 million during the fiscal year currently ending. Other funding for Weatherization in FY 08 included \$227 million in federal appropriations and \$250 million in state and utility funds.

- In FY 2008, federal funds were used to weatherize approximately 150,000 homes across the country. According to national evaluation studies conducted by Oak Ridge National Labs:
- Weatherization returns \$2.72 in energy and non-energy benefits over the life of the weatherized home for every dollar spent
- Families receiving Weatherization services can reduce their heating energy use by an average of 22 percent, making the cost for heating their homes more affordable.
- Economic benefit multipliers of Weatherization returned up to four times the actual investment. This means that an investment of \$300 million in Weatherization could yield nearly \$1.2 billion in economic benefits to local communities.

Energy Efficiency Can Help Sustain Low Income Home Ownership

High energy bills not only threaten access to affordable energy, they also undermine other societal goals, including sustaining low income home ownership. For the last six years, the Energy Programs Consortium (EPC), a state-sponsored research collaborative, has directed a program sponsored by the Ford Foundation to develop new strategies to sustain low income home ownership.

EPC is now partnering with EPA to roll out an Energy Star mortgage program designed to offer low and moderate households an option to integrate weatherization funds and state energy efficiency subsidies and lender incentives with mortgage refinance. The program is schedule to kick-off later this fall in four states: Maine, Massachusetts, New Jersey and New York. The project is expected to further expand to include Indiana, Pennsylvania and Wisconsin.

Conclusion

There is no substitute for adequate federal funding of LIHEAP. The authorized level of \$5.1 billion would provide sufficient funds to increase grant levels to 50 percent of the projected cost of home heating for the coming winter as well as allow states to reach out to an additional two million low income households who are not currently receiving assistance.

Thank for you this opportunity to testify today. NEADA we would be happy to respond to any questions or requests for additional information on this important program.