

TESTIMONY
OF
THE NATIONAL ENERGY ASSISTANCE DIRECTORS' ASSOCIATION
BEFORE THE SUBCOMMITTEE ON
LABOR, HEALTH AND HUMAN SERVICES, EDUCATION,
AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE
FY 2011 APPROPRIATIONS REQUEST FOR
THE LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

April 15, 2010

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The members of the National Energy Assistance Directors' Association (NEADA) would like to first take this opportunity to thank the members of the Subcommittee for its continued program support. For FY 2010, funding was maintained at \$5.1 billion, the fully authorized funding level for the program. This is the second year that the Committee has made this funding level available to the states to help poor families pay for home energy during these difficult economic times.

The number of households receiving heating assistance reached record levels for a second year, increasing from 7.7 million to 8.8 million households. An additional 583,000 are expected to receive cooling assistance this year as well. Lower energy prices allowed the states to maintain the program's purchasing power at about 45 percent of the cost of home heating.

For FY 2011 we are requesting that the Subcommittee maintain full funding for LIHEAP in order to maintain services for the 8.8 million households that received heating assistance, the 583,000 expected to receive cooling assistance in FY 2010, and provide \$600 million in emergency funding authority. In addition, to these funding requests, we are concerned that states will be hampered in their ability to administer their programs efficiently due to the lack of advanced funding. The lack of a final program appropriation prior to the beginning of the fiscal year creates significant administrative problems for states in setting their program eligibility guidelines. In order to address this concern, we are requesting advance appropriations of \$5.1 billion for FY 2012 and \$600 million in emergency contingency fund authority.

The President's 2011 Budget for LIHEAP would reduce funding to \$3.2 billion, assuming all emergency funds were released. The Administration's proposal for an automatic adjustment or "trigger" in the event of rising prices for home energy and higher caseloads for the Supplemental Nutrition Assistance Program offers the promise of providing additional stability for protecting the purchasing power of energy assistance appropriations and purports to make up the difference between the \$5.1 billion received this year and the \$3.2 billion requested.

The members of NEADA are concerned, however, that the trigger provision would result in payment delays and increase the administrative burden on the program. Instead we are recommending that this type of provision, including an adjustment for extreme weather conditions should be considered as a complement to a fully funded program at \$5.1 billion and could be used to replace or complement the program's emergency contingency fund authority.

The Impact of the FY 2010 Appropriation

Record levels for households receiving energy assistance are being reported by states across all parts of the country. The number of households receiving heating assistance increased by more than 20 percent in the following 16 states:

- 25% or greater: Mississippi (68 percent), Washington (42%), Michigan (38%), New Jersey (31%), West Virginia (28%), Colorado (26%) Kansas, New Hampshire and Wisconsin (25%)
- 20% to 24%: Montana (21%), California, Oregon, South Carolina, South Dakota, Texas and Rhode Island (20%).

Energy Prices Remain High

The recent decline in natural gas, propane and electricity prices has helped to slow the rate of increase in home energy prices. However, prices remain high and for many low income Americans – unaffordable. As shown in the following table, average home heating costs have increased by almost 31 percent from \$793 to \$1,038 between the winter heating seasons of 2004-05 and 2008-09 and then declined by 5.8 percent during the recently completed winter heating season of 2009-10 for a net increase of 23.3 percent during this period.

LIHEAP: Winter Heating Program Purchasing Power

Est. Average % of Home Heating Purchased with LIHEAP (FY 03- FY 10)

Fiscal Year	Heating Oil	Natural Gas	Propane	Electricity	All Fuels
2005	27.2%	43.4%	29.0%	44.3%	40.3%
2006	30.2%	45.2%	33.4%	54.1%	44.9%
2007	20.1%	35.7%	21.6%	35.1%	32.3%
2008	16.9%	38.4%	19.6%	38.3%	33.3%
2009	26.5%	55.5%	25.3%	51.8%	47.6%
2010	23.8%	58.1%	25.6%	47.7%	46.7%

Est. Home Heating Costs (2004-05 to 2009-10)

Winter Heating Season	Heating Oil	Natural Gas	Propane	Electricity	All Fuels
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	\$1,953	\$858	\$1,681	\$861	\$990
2008-09	\$1,864	\$889	\$1,950	\$953	\$1,038
2009-10	\$1,921	\$786	\$1,785	\$957	\$978
% Change 2005-08	58.5%	20.5%	76.8%	32.0%	30.9%
% Change 2005-09	63.4%	6.5%	61.8%	32.5%	23.3%
% Change 2009-10	3.1%	-11.6%	-8.5%	0.4%	-5.8%

Est. Households Served & Average Grant (FY 03- FY 10)

Fiscal Year	Appropriation (in thousands)	Households (in thousands)	Average Grant
2005	\$2,186,000	5,083	\$320
2006	\$3,162,000	5,521	\$426
2007	\$2,186,000	5,592	\$291
2008	\$2,570,000	5,798	\$330
2009	\$5,100,000	7,684	\$494
2010	\$5,100,000	8,832	\$456

- Source: Energy Information Administration, Short Term Energy Outlook, March 2010 and State Reports

Increased LIHEAP Funding Helped Families Maintain Access to Home Energy During the Economic Recession

We recently completed the 2009 National Energy Assistance Survey (NEA). This survey documented changes in the affordability of energy bills, the need for LIHEAP, and the choices that low-income households make when faced with unaffordable energy bills. Because of continuing high energy prices and rising unemployment during the survey period, we expected an even higher percentage of families to report that they were unable to pay their home energy bills or had to make even greater sacrifices than in previous years to maintain access to home energy.

In fact, LIHEAP recipients reported that the funding was more essential this year than in the past: 93 percent of recipients reported that LIHEAP funding was very important in helping them keep the heat on in the winter and cooling in the summer up from 90 percent in 2008 and 74 percent in 2003. The additional LIHEAP funding also increased the odds that a household could work out a payment plan with their local utility. The number of households that reported this increased from 54 percent in 2008 to 61 percent in 2009.

LIHEAP benefits increased since the previous year due to the greater appropriation in FY 2009. About 21 percent received total LIHEAP benefits of more than \$750 in FY 2009, compared to 12 percent in FY 2008. The pre-LIHEAP energy burden averaged 16 percent and post-LIHEAP energy burden averaged 11 percent for these households, compared to 7 percent for all households in the U.S. and 4 percent for higher income households in the U.S.

Increased LIHEAP Funding Helped to Reduce the Impact of the Recession on Low Income Households

Without the increase in funding in FY 2009, there is no question that LIHEAP recipients would have faced even greater hardships than in previous years. Nevertheless, many of the families receiving LIHEAP struggle to pay their energy bills, and frequently have to choose between paying for home energy or food.

LIHEAP recipient households are likely to be vulnerable to temperature extremes. They are likely to have seniors, disabled members, or children in the home. More than 90 percent of LIHEAP households had at least one of these vulnerable household members. The study also showed that these households face many challenges in addition to their energy bills, including unemployment, unhealthy home conditions, and medical issues.

LIHEAP recipients reported that they faced high energy costs. Over one third of the respondents reported energy costs over \$2,000 in the past year and 35 percent said that their energy bills had increased over the previous year.

Households reported that they took several actions to make ends meet, including closing off part of the home and leaving the home for part of the day. Some of the actions taken by these households were unsafe and could lead to injury or illness, such as keeping the home at a temperature that was unsafe or unhealthy or using the kitchen stove or oven to provide heat.

Many of the LIHEAP recipients faced significant medical and health problems in the past five years, partly as a result of high energy costs. Nearly one third reported that they went without food, over 40 percent sacrificed medical care, and one quarter had someone in the home become sick because the home was too cold.

The Need for LIHEAP

Households reported enormous challenges despite the fact that they received LIHEAP. However, they reported that LIHEAP was extremely important. About 64 percent reported that they would have kept their home at unsafe or unhealthy temperatures and/or had their electricity or home heating fuel discontinued if it had not been for LIHEAP. Almost 98 percent said that LIHEAP was very or somewhat important in helping them to meet their needs. In addition, 53 percent of those who did not have their electricity or home heating fuel discontinued said that they would have if it had not been for LIHEAP.

It is clear that many of these households will continue to need LIHEAP to meet their energy and other essential needs. Almost ninety percent said that they have or plan to apply for LIHEAP in the next year.

The members of NEADA recognize the difficult budget decisions that you face as you consider funding levels for LIHEAP for FY 2011 and advance funding for FY 2012. We appreciate your interest and continued support for LIHEAP. Please feel free to call upon us if we can provide you with additional information.

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