



Analysis and Statement of  
Principles on the Low  
Income Home Energy  
Assistance Program  
in New England

Winter 2004

January 2004

On behalf of the New England Council, I am pleased to present to you “**The New England Council’s Analysis and Statement of Principles on the Low Income Home Energy Assistance Program in New England**”. We hope that it proves to be a resource to you as you consider the impact of energy assistance funding on the region.

As you know, New England is colder and has more heating degree-days than other regions of the country and has no natural energy resources of its own. As a result, the region is subject to higher prices in home heating oil and natural gas and is particularly impacted by sudden changes in price of these two heating fuels.

The Low Income Home Energy Assistance Program (LIHEAP) plays a critical role in aiding low income families with home energy needs throughout the United States by providing a stopgap for households trying to balance the high costs of heating their homes and providing for their families.

LIHEAP funding totaled \$202 million in FY 2003. This funding level includes both formula grants and emergency funding and represents about 10 percent of the total funds LIHEAP distributes annually. In FY 2004, total projected funding for LIHEAP in New England is approximately \$171 million, roughly the same amount as last year; however, there is no emergency funding in FY 2004 reducing the overall funding benefits in the region by \$31 million.

The following analysis provides an overview of the impact of the LIHEAP program on the New England region. The report highlights LIHEAP funding history and outlines The New England Council’s specific policy recommendations.

We appreciate your past support and look forward to working with you, once again, to ensure the economic prosperity and high quality of life of the New England region. If you have any questions, or if we can be of any assistance to your office, please do not hesitate to contact us.

Sincerely,

James T. Brett  
President & CEO

## Executive Summary

The Low Income Home Energy Assistance Program (LIHEAP) provides critical home heating and cooling funds to low-income households throughout the United States. The program is particularly important to New England, which is colder and has more heating degree-days than other regions of the country. For New England, LIHEAP funding provides a critical stopgap for households trying to balance the high costs of heating their homes and providing for their families.

In response to the 1973 oil embargo by the Organization of Petroleum Exporting Countries (OPEC), the Federal Government created programs in Fiscal Year 1974 that provided energy funding assistance for low-income households. In 1981, the Low Income Home Energy Assistance Program (LIHEAP) was created under title XXVI of the 1981 Omnibus Budget Reconciliation Act of 1981. Since then, LIHEAP has provided critical funding to families for home heating and cooling assistance, weatherization repair assistance, and energy crisis emergency funding.<sup>1</sup> In FY 1982, when the program started, LIHEAP was funded at \$1.875 billion and has ranged from as high as \$2.1 billion in FY 1985 and as low as \$1 billion in FY 1997. In FY 2004, LIHEAP will be funded at \$1.8 billion with an additional \$100 million reserved for emergency funding.

Over the past three decades the LIHEAP program has allocated over \$34.3 billion in block grants to states for home energy assistance and an additional \$3.2 billion in emergency funding.<sup>2</sup> New England, being colder than other regions of the country, has benefited significantly from the LIHEAP Program. In FY 2003, New England received approximately 10 percent of all LIHEAP funding, or about \$170 million of the funding allocated and an additional \$31.8 million in emergency funding.

Congress appropriates funding for federal programs through thirteen annual appropriations bills. The LIHEAP program is contained in the Labor/HHS/Education appropriations bill, which for FY 2004 has, in addition to several other bills, been incorporated into an omnibus appropriations bill for final passage by Congress. As of December 30, 2003, only the US House of Representatives has approved the conference report on the omnibus appropriations bill. It is anticipated that the US Senate will pass the omnibus appropriations bill when the second session of the 108<sup>th</sup> Congress begins in January 2004.

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<sup>1</sup> US Department of Health and Human Services. Administration for Children & Families. <http://www.acf.dhhs.gov/programs/liheap/brochure.pdf>

<sup>2</sup> Totals do not include FY 2004 information.

The omnibus appropriations bill funded the LIHEAP program at \$1.8 billion in FY 2004 with \$100 million in emergency funding to be released by the President. Though the bill is not final since it has not yet passed the Senate, the following is a projection of the level of funding that the New England States will receive under the \$1.8 billion FY 2004 LIHEAP program:

**FY 2004 LIHEAP Funding by State<sup>3</sup>**  
(in millions)

| <b>State</b>       | <b>FY 2004 Conference Agreement</b> |
|--------------------|-------------------------------------|
| Connecticut        | \$36.918                            |
| Maine              | \$23.918                            |
| Massachusetts      | \$73.850                            |
| New Hampshire      | \$13.979                            |
| Rhode Island       | \$12.156                            |
| Vermont            | \$10.477                            |
| <b>New England</b> | <b>\$171.298</b>                    |
| <b>US Total</b>    | <b>\$1,800.00</b>                   |

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<sup>3</sup> National Energy Assistance Director's Association. [www.neada.org/news/news031204\\_table.pdf](http://www.neada.org/news/news031204_table.pdf)

Since its creation in 1981, LIHEAP has been funded between \$1 billion and \$2.1 billion in total funding. The following graph shows LIHEAP funding over the course of the program:

**LIHEAP Funding History<sup>4</sup>**  
(in millions)

| <u>FY</u>            | <u>Base LIHEAP Funding</u> | <u>Supplemental</u> | <u>Total Funds</u> |
|----------------------|----------------------------|---------------------|--------------------|
| 1981                 | \$1,850                    | \$0                 | \$1,850            |
| 1982                 | \$1,752                    | \$123               | \$1,875            |
| 1983                 | \$1,975                    | \$0                 | \$1,975            |
| 1984                 | \$1,875                    | \$200               | \$2,075            |
| 1985                 | \$2,100                    | \$0                 | \$2,100            |
| 1986                 | \$2,010                    | \$0                 | \$2,010            |
| 1987                 | \$1,825                    | \$0                 | \$1,825            |
| 1988                 | \$1,532                    | \$0                 | \$1,532            |
| 1989                 | \$1,383                    | \$0                 | \$1,383            |
| 1990                 | \$1,393                    | \$50                | \$1,443            |
| 1991                 | \$1,415                    | \$195               | \$1,610            |
| 1992                 | \$1,475                    | \$0                 | \$1,475            |
| 1993                 | \$1,321                    | \$0                 | \$1,321            |
| 1994                 | \$1,412                    | \$300               | \$1,712            |
| 1995                 | \$1,289                    | \$100               | \$1,389            |
| 1996                 | \$877                      | \$180               | \$1,057            |
| 1997                 | \$975                      | \$215               | \$1,190            |
| 1998                 | \$975                      | \$160               | \$1,135            |
| 1999                 | \$1,072                    | \$175               | \$1,247            |
| 2000                 | \$1,073                    | \$744               | \$1,817            |
| 2001                 | \$1,372                    | \$456               | \$1,828            |
| 2002                 | \$1,673                    | \$100               | \$1,773            |
| 2003                 | \$1,761                    | \$200               | \$1,961            |
| 2004*                | \$1,800                    | \$100               | \$1,900            |
| <b>Total to Date</b> | <b>\$34,385</b>            | <b>\$3,198</b>      | <b>\$37,583</b>    |

\*final 2004 funding is pending on final Senate approval of the FY 2004 omnibus appropriations bill.

The LIHEAP program has been particularly important to New England over the past several years because the price of home heating fuels has increased substantially. At the same time, unemployment has increased due to the economic downturn during 2001 and 2002. The cost of home heating coupled with the current economic conditions of the United States underscores the importance of a well funded LIHEAP program.

<sup>4</sup> <http://www.ncat.org/liheap/Funding/lhhist.htm>

## Winter 2003-2004 Energy Outlook

At the onset of the 2003-2004 winter season prices for home heating oil and natural gas are similar to those last year. However, supplies for both heating fuels continue to remain tight. Temperatures in the northeast were relatively mild during the fall of 2003. But if the temperatures return to season norms, the number of heating degree-days will increase significantly over last year, which will mean that New England will be particularly susceptible to price spikes. A colder winter will force an increase in demand, straining the supplies of home heating fuels in an already tight market, and causing heating bills to increase.

During the past several years the price of home heating oil and natural gas has increased dramatically. The Northeast, particularly New England, relies heavily on home heating oil and natural gas as its major sources of heating fuels in the winter. The United States currently faces a tight heating oil market and natural gas prices are expected to rise about six percent over last year.<sup>5</sup>

According to the Energy Information Agency (EIA), the warm start to the heating season has helped to keep prices low and stable. October 2003 had an 11 percent decrease in the average number of heating degree days, but November 2003 heating degree days rose 1.4 percent.<sup>6</sup> Though the start of the heating season has been mild, December 2003 has already brought snow and cold temperatures back to the Northeast, which could mark a return to seasonal averages.

Markets for both home heating oil and natural gas will remain tight and near recent averages throughout the 2003-2004 winter as supply and demand remain balanced in the short-term. While supplies and prices are presently stable, a change in supply or demand could cause prices to increase drastically.

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<sup>5</sup> Energy Information Agency. Short-term Energy Outlook. November 2003.

<sup>6</sup> IBID

## New England LIHEAP

New England is colder than other regions of the country and has no natural energy supplies of its own. Like the rest of the Northeast, New England is highly dependent on home heating oil, consuming 75% of the nation's home heating oil supply. Additionally, New England has more heating degree-days than other regions of the country making it more expensive for families to heat their homes when the weather turns colder.

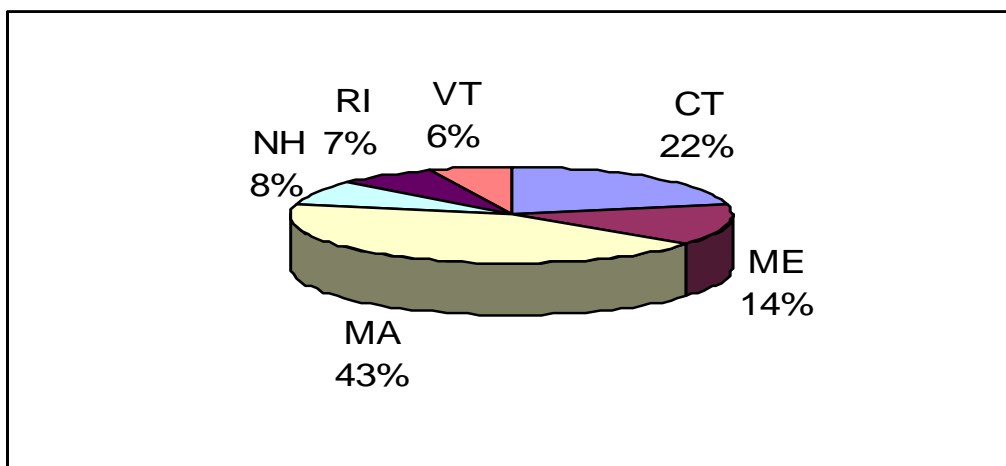
Over the past few years, prices for home heating oil and natural gas, New England's two largest heating fuel sources, have increased dramatically. The combination of rising home energy costs and the current economic conditions in the United States make LIHEAP a critical component in helping low-income families balance the needs of their families with the high costs of home heating.

The following table illustrates the total funding New England received through the LIHEAP program in FY 2003, including a state-by-state breakdown.

### FY 2003 LIHEAP Funding in New England<sup>7</sup>

| State                | Funding                 | Emergency             | Total                   |
|----------------------|-------------------------|-----------------------|-------------------------|
| Connecticut          | \$ 36,900,168           | \$ 6,908,830          | \$ 43,808,998           |
| Maine                | \$ 23,031,683           | \$ 5,567,518          | \$ 28,599,201           |
| Massachusetts        | \$ 73,783,030           | \$ 12,272,222         | \$ 86,055,252           |
| New Hampshire        | \$ 13,971,211           | \$ 2,951,570          | \$ 16,922,781           |
| Rhode Island         | \$ 12,115,542           | \$ 2,046,693          | \$ 14,162,235           |
| Vermont              | \$ 10,471,920           | \$ 2,128,885          | \$ 12,600,805           |
| <b>New England</b>   | <b>\$ 170,273,554</b>   | <b>\$ 31,875,718</b>  | <b>\$ 202,149,272</b>   |
| <b>United States</b> | <b>\$ 1,800,000,000</b> | <b>\$ 200,000,000</b> | <b>\$ 2,000,000,000</b> |

### State Share of the Total LIHEAP Funding in New England in FY 2003



<sup>7</sup> <http://www.ncat.org/liheap/sp.htm>

## New England LIHEAP Benefits in FY 2003<sup>8</sup>

- **Connecticut**

*LIHEAP Funding:*  
\$36,900,168

*Households Served (2002 estimate):*  
75,934

*Benefit:*  
\$200 minimum; \$550 maximum

*Program Dates:*  
November 1 – April 1

- **Maine**

*LIHEAP Funding:*  
\$23,031,683

*Households Served (2002 Estimate):*  
46,799

*Benefit:*  
\$368 average

*Program Dates:*  
October 1 – April 30

- **Massachusetts**

*LIHEAP Funding:*  
\$73,783,030

*Households Served (2002 Estimate):*  
123,000

*Benefit:*  
\$545 maximum for electric and natural gas  
\$675 maximum for propane, fuel oil and  
kerosene

*Program Dates:*  
July 1 – April 30

- **New Hampshire**

*LIHEAP Funding:*  
\$13,971,211

*Households Served:*  
24,876

*Benefit:*  
\$120 minimum; \$429 average; \$975  
maximum

*Program Dates:*  
December 2 – April 30

- **Rhode Island**

*LIHEAP Funding:*  
\$12,115,542

*Households Served:*  
25,000

*Benefit:*  
\$100 minimum; \$175 average; \$1,000  
maximum

*Program Dates:*  
September 15 – April 30

- **Vermont**

*LIHEAP Funding:*  
\$10,471,920

*Households Served:*  
18,483

*Benefit:*  
\$5 minimum; \$526 average; \$900 maximum

*Program Dates:*  
July 15 – February 28

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<sup>8</sup> <http://www.ncat.org/liheap/sp.htm>

## New England Council Statement of Principles for LIHEAP

### 1. Increased Funding for LIHEAP

The New England Council strongly believes that increased funding for LIHEAP is essential to the wellbeing of the neediest New Englanders. With the increase in the price of home heating fuels, it is essential that adequate funding be made available for low-income families to help bridge the gap between balancing family needs against the high costs of home heating.

#### *Policy Recommendations*

The New England Council supports:

- Increased Funding for LIHEAP

The New England Council urges Congress to increase LIHEAP funding to **at least \$3.4 billion** – the funding level proposed in the Energy bill.

LIHEAP is currently funded at \$1.8 billion in FY 2004 with \$100 million provided for emergency funding to be released by the President. LIHEAP funding has changed little since the program's inception 23 years ago hovering between \$1.08 billion and \$2.1 billion in total funding.

With the increased cost of home heating and the number of low-income households that require assistance, increasing LIHEAP funding is essential if the government is going to continue to help its citizens.

- Keeping dollars current

As stated, LIHEAP funding has increased very little since 1981. However, the cost of home heating has changed dramatically. As a result, the effectiveness of the benefits received by low-income families through the LIHEAP program has been reduced in recent years as funding levels remain low.

Total LIHEAP funding in FY 2004 is set at \$1.9 billion, the same approximate funding level as 1982.

By keeping LIHEAP funding levels current with inflation, the benefits of the LIHEAP program will do more to help low-income families cover the cost of their energy bills.

## 2. Emergency Funds

### *Policy Recommendations*

The New England Council supports:

- The automatic distribution of Emergency Funds

Each year, when emergency funds are available for the LIHEAP program, it is subject to Presidential discretion as to when and how much of the Emergency LIHEAP funding is released. In FY 2003, only \$200 million of the \$300 million emergency funding were distributed. Congress did eventually seek to disperse the balance of the funding through the LIHEAP formula when it passed the FY 2003 Supplemental Appropriations bill.

The New England Council urges Congress to revise the LIHEAP program so that after a specified date, the balance of the LIHEAP emergency supplement is allocated to states through the LIHEAP formula.

## 3. LIHEAP Allocation Formula

### *Policy Recommendations*

The New England Council supports:

- Maintaining the LIHEAP Allocation Formula

Over the past several years there has been much discussion in Congress about potentially altering the LIHEAP formula to include greater emphasis on cooling days. The altering of the LIHEAP formula to accomplish this goal, especially with no increase in funding, only shifts funding away from the colder regions of the country, especially New England, and in the end hurts one region of the country in order to help another.

The solution to aiding other regions of the country, particularly those impacted by the need for energy assistance for cooling days is not to alter the LIHEAP formula, but to increase overall funding for LIHEAP so that all areas of the country where low-income families are affected by adverse weather conditions are helped.

The New England Council urges Congress to increase the overall funding for LIHEAP to at least \$3.4 billion. An increase in funding will help to aid areas of the country that have excessive heating and cooling days so that the neediest of citizens can be assisted in balancing high energy costs with the needs of their families.

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241-1165

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