

**Testimony of the National Consumer Law Center on Behalf of Our Low-Income Clients
Before the House Subcommittee on Labor, Health and Human Services, Education
U.S. House Committee on Appropriations**

**FY 2007 Appropriations for the Low Income Home Energy Assistance Program
(LIHEAP)**

The **National Consumer Law Center (NCLC)**,¹ **on behalf of our low-income clients**,² respectfully submits this testimony regarding the appropriation of funds for the Low Income Home Energy Assistance Program (LIHEAP)³ for FY 2007. NCLC and our clients are strong supporters of LIHEAP, the primary safety net between low-income consumers and the disconnection of vital utility service. The high energy prices that squeeze the budgets of low-income households to the breaking point show no sign of abating. The recent National Energy Assistance Directors' Association (NEADA) national study on LIHEAP recipients documents the tremendous value of LIHEAP to low-income families as well as the severe sacrifices made by the poor to pay their home energy bills.⁴ Low-income families and fixed-income elderly clients continue to fall further behind as energy prices have reached a new, higher baseline. LIHEAP is essential for their safety and well being. **We thank the Subcommittee for its strong support of the LIHEAP program in the FY 2006 appropriations process and, in light of the forecasted continued high energy prices, urge the Subcommittee to consider fully appropriating LIHEAP at \$5.1 billion in regular LIHEAP funds for FY 2007, the amount authorized under the Energy Policy Act of 2005, with advance appropriations of the same amount for FY 2008.**

Home Energy Prices Are At An All-Time High. Residential energy prices were expected to continue to rise this year, but the disruption in the Gulf fuel refineries by the hurricanes sent them skyrocketing. Consequently, paying home energy bills has been all the more difficult for fixed income seniors and low-income households and has made LIHEAP all the more important for these vulnerable families. The Center on Budget and Policy Priorities has acknowledged that this year marks the "largest one-year jump in home heating prices in three decades."⁵ According to Guy Caruso, Administrator of the Energy Information Administration at the U.S. Department of Energy, "several factors are driving up winter prices and expenditures: first, international factors such as low spare crude oil capacity and political tensions contribute to uncertainty and low supply growth for crude oil and high crude prices; second, recent hurricanes and associated disruptions exacerbate already tight markets in oil, petroleum products, and natural gas; and, finally, winter weather affects consumption and consequently household expenditures."⁶ The summer heat is also dangerous, especially for the elderly, the very young and those with chronic diseases. Unfortunately, the vast majority of newer electric generation plants rely on natural gas, thus tying electricity prices to the volatile natural gas

¹ The National Consumer Law Center (NCLC) is a nonprofit organization that represents the interests of low-income consumers on a broad range of issues, including access to adequate and affordable supplies of utility service for home heating and cooling. This testimony was prepared by Olivia Wein, staff attorney in NCLC's Washington, DC office.

² The Appalachian People's Action Coalition (Ohio); Texas Legal Services Center; Action, Inc. (Gloucester, MA); Action for Boston Community Development, Inc.

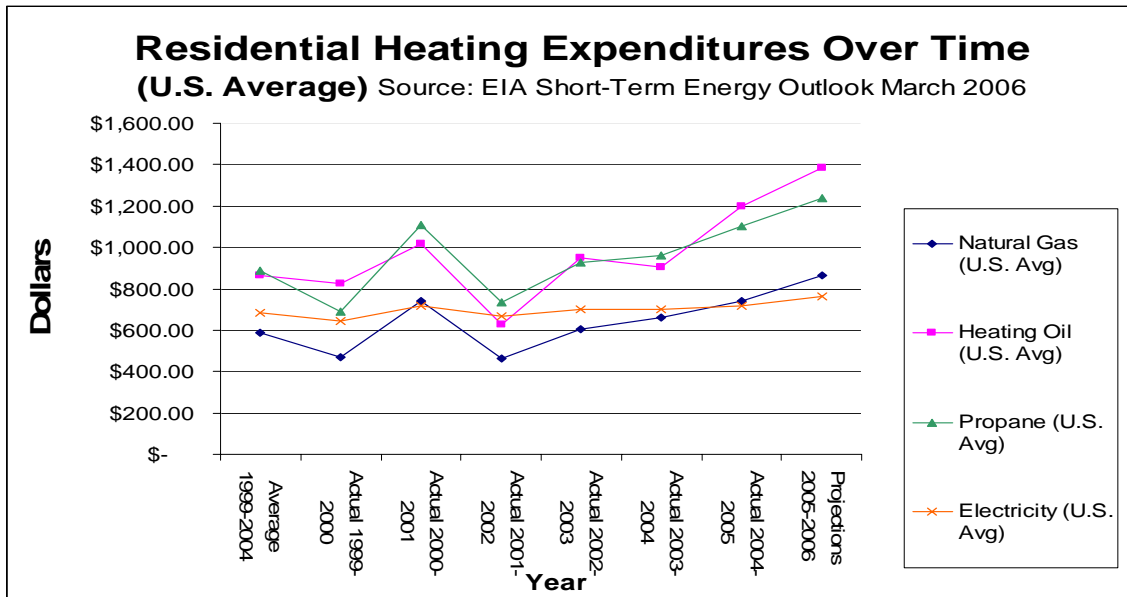
³ 42 U.S.C. §8621 et seq.

⁴ National Energy Assistance Directors Association, *National Energy Assistance Survey* (April 2004) (NEADA survey) available at www.neada.org.

⁵ Center on Budget and Policy Priorities. "Steep Spike in Energy Costs Increases Low-Income Households' Need For Help Paying Heating Bills This Winter" (Oct. 6, 2005).

⁶ Statement of Guy Caruso, Administrator for the Energy Information Administration, U.S. Department of Energy before the Committee on Energy and Natural Resources, United States Senate. Full Committee Hearing – Winter Fuels Outlook (Oct. 18, 2005).

prices. Taking all of these factors into account, it is obvious how critical LIHEAP’s heating and cooling assistance is to the livelihood of so many families. The mounting increases in essential residential energy prices as illustrated in the chart below are putting more and more families’ health and safety at risk.



More Households Than Ever Cannot Keep Up With Costs Of Home Energy. Although the costs of home energy have been a burden to most Americans, those with low incomes have been hurt the most. The salary for low-income Americans has stayed relatively flat while the cost of living has gone up, resulting in even more challenging struggles just to make ends meet for many families. According to Dr. Meg Power of Economic Opportunity Studies, families below 150% of the federal poverty guideline spend on average about \$1470 on energy costs, about 19% of their total yearly income. In 2005, however, low income families were expected to pay more than \$1650.⁷ Those prices will only go up for 2006. Having their heat switched off is a real possibility for numerous low-income households, and although there are winter utility shut-off moratoria in place for many states, not every home is protected against energy shut-offs in the middle of winter. As we approach the lifting of winter shut-off moratoria, we expect to see a wave of disconnections as households are unable to afford the cost of the energy bills. In the summer, the inability to keep the home cool can be lethal, especially to seniors. According to the CDC, in 2001 300 deaths were caused by excessive heat exposure and seniors and young children are particularly vulnerable to heat stress.⁸ The CDC also notes that air-conditioning is the number one protective factor against heat-related illness and death.⁹

Iowa – Despite milder winter temperatures this winter, the sharp rise in natural gas prices has set back a record number of low-income households in Iowa. The number of low-income households with past due energy accounts as of January 2006 is 14.7 percent higher than the same time last year and 162 percent higher than the number in January 1999. The total amount of arrearages of LIHEAP

⁷ Meg Power, PhD. Economic Opportunity Studies. “Energy Bills of Low-Income Consumers in FY 2005, The Resources Available to Help Them Pay, and the Impact on Their Household Budgets” (Nov. 23, 2004).

⁸ CDC, “Extreme Heat: A Prevention Guide to Promote Your Personal Health and Safety” available at www.bt.cdc.gov/disasters/extremeheat/heat_guide.asp.

⁹ *Id.*

households has also grown sharply due to the increase in prices. By January 2006, the total amount of LIHEAP household arrearages had increased 32 percent from the same period in 2005 and 169 percent compared to the same period in 1999. The total number of LIHEAP households increased 8 percent from this same period last year.¹⁰

Ohio: In Ohio, the number of households entering into the state's low-income energy affordability program, the Percentage of Income Payment Program (PIPP), increased 23% from January 2005 to January 2006. The increase is even more dramatic at 84 percent, when comparing PIPP enrollment from January 2002 to January 2006. The total dollar arrearage amounts for PIPP customers also increased 27 percent from January 2005 to January 2006. Likewise, the total PIPP arrearages have increased dramatically, 84 percent, from January 2002 to January 2006. Ohio's LIHEAP program expects to provide heating assistance to almost 5% more households in FY 2006 than in FY 2005 (and almost 30% more households when compared to Ohio households that received heating assistance in FY 2002).¹¹

Pennsylvania – Utilities in Pennsylvania that are regulated by the Pennsylvania Public Utility Commission (PA PUC) have established universal service programs that assist utility customers in paying bills and reducing energy usage. Even with these programs, electric and natural gas utility customers find it difficult to keep pace with their energy burdens. The PA PUC estimates that approximately 21,000 households entered the current heating season without heat-related utility service – this number includes about 4,000 households who are heating with potentially unsafe heating sources such as kerosene space heaters. This is an increase of 68% when compared to the average number entering the heating season without heat for the years 2000-2003. An additional 17,500 residences where service was previously terminated are now vacant.¹² In 2005, the number of terminations increased 52% compared with terminations in 2004.¹³ As of January 2006, 17.48% of residential electric customers and 18.19% of natural gas customers are overdue on their energy bills. As of February 2006, Pennsylvania projected serving 354,065 LIHEAP applicants in FY 2005, an 8.2% increase over the prior year.¹⁴

LIHEAP Helps These Vulnerable Households. Growing utility arrearages for low-income households will only place these fragile households on a downward spiral towards disconnections. Adequate LIHEAP assistance can help families facing terminations, but, even more importantly, adequate LIHEAP appropriations can help struggling families maintain vital energy services and protect the health and safety of vulnerable seniors, families with young children or disabled family members. The recent NEADA national energy assistance survey found that 48% of LIHEAP recipients would have had their electricity or home heating fuel discontinued if LIHEAP had not been available.¹⁵

The Need For LIHEAP Is Greater Than Ever. The continued sharp rise in residential energy prices is expected for the near future. The data from Iowa, Ohio and Pennsylvania, which are amongst the

¹⁰ National Energy Assistance Directors, "Est. Total Households Receiving LIHEAP Heating Assistance by State – Projected Applications for FY 06 (2/13/06).

¹¹ Based on data from the National Energy Assistance Directors, "Est. Total Households Receiving LIHEAP Heating Assistance by State – Projected Applications for FY 06 (2/13/06) and "Estimated Total Households Receiving LIHEAP Heating Assistance by State Actuals in 2002, 2003; Projected in 2004." Available at www.neada.org.

¹² http://www.puc.state.pa.us/general/press_releases/press_releases.aspx?ShowPR=1435

¹³ http://www.puc.state.pa.us/general/pdf/Terminations_Table_Jan-Dec04-05.pdf

¹⁴ http://www.neada.org/news/news060213_liheap06projections.pdf

¹⁵ NEADA Survey, Table 47.

few states that collect residential utility customer payment data, show that even in a milder than normal winter, the prices have risen to such a degree that an increasing number of low-income households is falling behind. This year's dramatic rise in residential energy prices has yielded the greatest number of LIHEAP applications in 12 years.¹⁶ Last year, the number of eligible recipients for LIHEAP climbed to 32 million; however, only around five million were able to benefit from it.

The Consequences Of Unaffordable Energy Bills Are Dire. When people are unable to afford paying their home energy bills, many dangerous and unhealthy actions are often taken. Common practices include resorting to alternative heating sources, such as space heaters, ovens and burners, all of which are huge fire hazards; numerous deaths due to fires started by space heaters have already occurred this year and are a recurring problem every year. According to the U.S. Consumer Product Safety Commission, about 25,000 fires in homes are caused by space heaters and 300 people are killed because of them every year in the U.S.¹⁷ Other dangerous practices include illegal gas hookups that create dangerous gas leaks, keeping the thermostat at unhealthy and sometimes hypothermic temperatures (and hyperthermic temperatures in the summer). Those who cannot afford their winter heating bill often face dire choices such as sacrificing food, medical care or prescription medicine.¹⁸ In the summer, the inability to afford cooling bills can result in heat-related deaths and illness. The loss of essential utility services can be devastating, especially for poor families that can find themselves facing the prospects of hypothermia in the winter, hyperthermia in the summer,¹⁹ eviction, property damage from frozen pipes, the use of dangerous alternative sources of heat,²⁰ and the potential threat of the intervention of child welfare agencies.²¹ Studies have also demonstrated the clear links between homelessness and utility disconnections, as well as the connections between unaffordable utility service and the disruption to families and children's education. LIHEAP works to bring fuel costs within a manageable range for low-income households. There are other societal benefits to a strong LIHEAP. A recent study documents an association between receipt of LIHEAP assistance and a reduced incidence of undernutrition in young children.²²

People are putting themselves at risk when they do not have sufficient funds to pay their home energy bills, but LIHEAP can and does come to their aid and does greatly alleviate some of the hardship caused by high energy bills. With the assistance of LIHEAP, households will not have to make such unconscionable, dangerous sacrifices.

The Need for Advance Appropriations is Critical. The timing of the release of the LIHEAP block grant to the states is critical for the effective and efficient operation of the state programs. The normal appropriations process leaves very little time between enactment of the Labor-HHS-Education spending bill and the start of most states' heating programs. An advance appropriation is essential for

¹⁶ http://www.neada.org/news/news060213_liheap06projections.pdf

¹⁷ U.S. Department of Energy: A Consumer's Guide to Energy Efficiency and Renewable Energy.

http://www.eere.energy.gov/consumer/your_home/space_heating_cooling/index.cfm/mytopic=12600

¹⁸ NEADA Survey, Table 39. To pay their energy bills, 22% of LIHEAP recipients went without food, 38% went without medical or dental care, 30% did not fill or took less than the full dose of a prescribed medicine.

¹⁹ From 2000 to 2003, approximately 50% - 68% of heat-related deaths were 60 years old or older. Office of Climate, Water and Weather Services, *Heat Related Fatalities by Age and Gender*, reports for 2000 - 2003.

²⁰ In 1998 there were over 49,000 heating-equipment related home fires resulting in 388 deaths and 1,445 injuries and \$515 million in property damage. National Fire Protection Association Fact Sheets on Home Heating, in *U.S. Home Heating Fire Patterns and Trends*, John H. Hall, Jr., NFPA, June 2001

²¹ Robert B. Swift, *Rising Costs for Home Heating Fuel Could Spawn More Problems*, Sunbury (PA) Item, Jan. 29, 2000.

²² Pediatric Academic Societies, Publication #921, Platform Presentation, Epidemiology Session, May 6, 2003, Seattle, WA: *Children's Sentinel Nutrition Assessment Program: Heat or Eat: Low Income Home Energy Assistance Program and Nutritional Risk Among Children < 3.*

states to determine income guidelines and benefit levels well ahead of time and for properly planning the components of their program year (e.g., amounts set aside for heating, cooling and emergency assistance, weatherization, self sufficiency and leveraging activities). Without advance appropriations, delayed passage of the spending bill can force states to open their winter heating program without knowledge of their final grant amount. Advance appropriations shield states from disruption of the start-up of their winter heating programs if there is a delay in the passage of the Labor-HHS-Education spending bill.

LIHEAP Works. LIHEAP is a targeted block grant that assists vulnerable low-income households with the costs of home energy. According to the U.S. Department of Health and Human Services, one-third of households receiving LIHEAP heating and cooling assistance had an elderly member; over 30 percent of households receiving heating and cooling assistance had a member with a disability; and almost one third of households receiving heating assistance and around a fifth of households receiving cooling assistance had young children. In FY 2001, LIHEAP recipient households had a mean individual energy burden almost five times the energy burden for non-low income households.²³ While there are broad federal guidelines for LIHEAP, states have the flexibility to tailor their programs to best meet their needs. Administrative costs are minimal – capped at 10 percent. This ensures that the vast majority of LIHEAP dollars are directed to energy assistance for low-income families.

The National Association of Regulatory Utility Commissioners (NARUC), the National Energy Assistance Directors Association and the National Fuel Funds Network also support fully funding the regular block grant LIHEAP program at \$5.1 billion.

Conclusion. In light of the continued projected increase in residential energy costs and LIHEAP's continued demonstrated success in helping low-income families maintain access to vital energy service, we urge the Subcommittee to appropriate \$5.1 billion for the regular LIHEAP program in FY 2007 as well as advance appropriations for FY 2008 of \$5.1 billion for the regular program. Thank you for consideration of our testimony.

²³ U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, Division of Family Assistance, *LIHEAP Home Energy Notebook for Fiscal Year 2001* (February 2003), Table A-2b, p. 49.