

CONEG INFORMATION BRIEF THE LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

WHY LIHEAP IS IMPORTANT TO THE NORTHEAST

The purpose of the Low Income Home Energy Assistance Program (LIHEAP) is to “assist low income households, particularly those with the lowest incomes that pay a high proportion of household income for home energy, primarily in meeting their immediate home energy needs.” (The Human Services Amendments of 1994, Public Law 103-252, Sec. 2602(a) as amended.)

Congress created the LIHEAP program to aid, not just low-income households, but those low-income households that face a significant “energy burden.” In short, LIHEAP is targeted to those low-income households nationwide that must spend a higher percentage of their income to pay the home energy bill. Low-income households in the Northeast face a higher energy burden than do low-income households nationwide.

National Profile: LIHEAP is targeted to households whose income hovers near the federal poverty level. According to a recent study,¹ over 60 percent of LIHEAP households have an annual income at or below the federal poverty level which, for the typical 2-person LIHEAP household, is less than \$15,000. Over 70 percent of LIHEAP households nationwide have an income of \$20,000 or less.

A national study by the Oak Ridge National Laboratory² also reinforces the considerable energy burden faced by low-income households, particularly those that receive energy assistance. The study found that low-income households spend significantly more for residential energy than do non-low income households – 10 percent vs. 3.3 percent. It also found that low-income households that receive energy payment assistance have an even higher energy burden – 11.5 percent of income. Nationwide for FY2010, low-income households using fuel oil for primary heat were expected to have the *highest heating/cooling bills* (average \$1,813); followed by those using propane (\$1,239); then natural gas (\$714); and then electricity (\$552).

**Table 1: 2011 FEDERAL POVERTY GUIDELINES
48 CONTIGUOUS STATES AND THE DISTRICT OF COLUMBIA**

Persons in Family	Poverty Guideline
1	\$10,890
2	\$14,710
3	\$18,530
4	\$22,350

Source: U.S. Department of Health and Human Services, Federal Register, January 20, 2011

¹ 2009 National Energy Assistance Survey: Final Report. National Energy Assistance Directors' Association, April 2010.

² Weatherization Assistance Program Technical Memorandum: Background Data and Technical Assistance, ORNL/TM-20-20/66. Oak Ridge National Laboratory, March 2010.

Northeast Profile: LIHEAP households in the northeast states fit the national profile for household composition and income. They typically have 2-3 members, and at least one person is considered vulnerable. Over 60 percent of these households have income levels that are at or below the federal poverty level of \$14,710 for a two-person family.

However, due to the unique nature of regional heating fuels and prices, a LIHEAP household in the Northeast may diverge from the national profile in an important aspect – the percent of income spent on home energy. **The low-income households in the Northeast may face a higher energy burden than low-income households nationwide.** As noted in the Oak Ridge study, heating oil and propane are more likely to be used in the Northeast than any other part of the country; and these fuels have higher prices (per MBtu) that are more likely to rise more sharply than other fuel prices. It also found that residential electricity prices in the Northeast tend to be well above the national average. The Oak Ridge study concluded that:

“Given the concentration of low-income households heating with fuel oil in the Northeast it is no wonder that the average energy expenditure projected for low-income households for FY 2010 is higher there than elsewhere at \$2,341. This compares to \$1,745 for such households in the Midwest, where less-expensive natural gas predominates, and \$1,770 for those in the South, where heating loads are lower. Those low-income households living in the West have a projected average expenditure of \$1,328. The lower average expenditure in the West is caused primarily by lower average heating and cooling needs in that region.” (ORNL/TM-2010/66, page 6)

HIGH FUEL PRICES AND COSTS IN THE NORTHEAST

Compared to other regions, households in the Northeast typically face higher total home heating expenditures due to a longer winter heating season and traditionally higher average home heating fuel prices, regardless of the type of fuel used. Households in the Northeast are more likely to be dependent on the more expensive deliverable fuels for home heating than other regions. According to DOE, of the roughly 7.7 million U.S. households that use heating oil, 5.3 million are in the Northeast. The price volatility of these fuels makes it harder for low-income households to manage their home heating bills. In addition, these customers cannot spread their heating costs across several months (as can utility customers), and they do not have the advantage of a utility shut-off moratorium if they are unable to pay their winter heating bills.

EIA forecasts indicate that home heating oil prices will continue their upward trend since 2009, and should average close to \$4.00/gallon in early 2012. At this level, average home heating oil prices in 2012 would be over five percent higher than 2011 and more than 15 percent higher than 2008. In contrast, residential prices for electricity and natural gas have risen modestly for electricity and remained essentially flat for natural gas.³

³ Short-Term Energy Outlook. Current/Previous Forecast Comparisons. Energy Information Administration, August 9, 2011.