

**CONEG INFORMATION BRIEF
 THE LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM**

STATE PROGRAMS PREPARE FOR UNCERTAINTY – WINTER 2011

Once again, the CONEG states face continued uncertainty and significant challenges as they open their winter 2011 Low Income Home Energy Assistance Program (LIHEAP) programs. The total funding that each state will have to provide LIHEAP assistance this winter is still not known.

The FY2012 Budget Request for LIHEAP, based on an assumption of declining home energy prices, was almost half of the annual LIHEAP funding level of the past two years. Although the House FY2012 budget resolution recommends funding LIHEAP at the requested level, neither the House nor Senate appropriations committees have acted on the spending bill for the entire range of federal human services programs – including LIHEAP. On-going deficit reduction negotiations also delayed the start of the FY2012 appropriations process. Now that the Budget Control Act of 2011 has set overall non-security discretionary spending levels, House and Senate appropriators could begin negotiating a final human services appropriations bill, possibly without holding a formal committee mark-up. Since the Congress is expected to finalize few, if any FY2012 spending bills before the October 1 start of the new fiscal year, a Continuing Resolution (CR) to extend federal funding will be needed. With even more spending cuts on the horizon as the Joint Select Committee on Deficit Reduction deliberates on its recommendations this fall, the CR could easily become a vehicle for a negotiated omnibus spending package sometime this winter – when more spending reductions could occur.

With no congressional action to mark up the human services spending bill, states are preparing for the winter heating season with no public information on the possible overall FY2012 LIHEAP funding level or the division of funds between the regular block grant program and contingency funding. In the past two years, LIHEAP funding has fared fairly well under CRs and omnibus spending bills. However, the significantly reduced FY2012 Budget Request (see Figure 1), combined with the absence of any proposed LIHEAP spending levels from the House or Senate appropriators, could make LIHEAP a target when the Congress and the Administration are focused on cutting federal spending.

Figure 1: LIHEAP FUNDING LEVELS

	<u>FY2010:</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY 2012</u>
			<u>Request</u>	<u>Congress</u>
Regular	\$4.5B	\$4.51B	\$1.98B	NA
Contingency	\$0.59B	\$0.20B	\$0.59B	NA
Total	\$5.1B	\$4.71B	\$2.57B*	NA

* The Administration will re-evaluate the necessary funding levels if energy prices spike.

NORTHEAST OUTLOOK FOR LIHEAP – WINTER 2011

The Northeast states are already preparing the winter 2011 State LIHEAP Plans and have started the application process. Faced with the uncertainty regarding the timing and level of federal funding, many state LIHEAP officials are forced to plan and budget for a “worst case” situation – a reduction of approximately 50 percent in the total federal appropriation. That worst case situation could result in the individual northeast states facing LIHEAP funding comparable to FY2008 levels.

High Winter Fuel Prices: While the FY2012 Budget Request released in early 2011 assumed that home energy prices would decline, the opposite has occurred. Northeast state LIHEAP officials report in early August that home heating oil prices are approximately \$3.80/gallon. This is consistent with the U.S. Energy Information Administration’s (EIA) August 2011 Short-Term Energy Outlook.* Based on EIA projections, the price of home heating oil in the Northeast could average \$3.95/gallon this winter (October 2011-March 2012). This is approximately 15 percent higher than the 2008 average price of \$3.38/gallon, and over 30 percent higher than the 2010 average price of \$2.97. Natural gas prices are expected to remain fairly constant at \$14.00/cf. The coming heating season will continue an established trend – residential energy prices are typically higher in the Northeast than the national averages or any other region – regardless of fuel type.

States Options: A sharp reduction in federal funds, combined with continued high home heating fuel prices, could lead to a variety of changes in state LIHEAP programs: changes in eligibility, reduced benefit levels, a decrease in the number of households served, and/or early shut-down of the LIHEAP program.

- **More Stringent Eligibility Standards:** Several northeast states might serve fewer households by tightening eligibility requirements from 60 percent of State Median Income (SMI) to 150 percent of Federal Poverty Level (FPL). Some states hope to retain their current eligibility standards (60 percent SMI) since the loss of LIHEAP assistance may cut off an array of energy and other assistance programs provided by the public and private sectors, such as a utility shut-off moratorium and participation in programs that help LIHEAP-assisted households pay down their utility arrearages once the moratorium is lifted in the spring.
- **Reduction in LIHEAP Benefit Levels:** Facing the prospect of higher fuel prices and fewer LIHEAP dollars, almost all northeast states are contemplating a major reduction in the level of benefits. In a worse case scenario, benefit levels could be reduced by 25 percent to more than 50 percent compared to last winter. In many states, the resulting basic benefit level would not cover the minimum fuel delivery required by home heating fuel dealers. A combination of the basic and crisis benefit would be needed to provide even one fuel delivery for the season.
- **Shorter LIHEAP Program Season:** At FY2008 LIHEAP funding levels, some states might delay sending out benefit checks until the coldest part of the heating season. Others would have to shut down the program earlier in the season when the weather in the region is still cold.

* NOTE: The EIA forecasts assume US and global growth of over two percent, and does not reflect recent weaker economic outlook. Short-Term Energy Outlook, August 9, 2011. U.S. Prices – Quarterly. Energy Information Administration.