

March 31, 2008

The Honorable David Obey
Chairman
Subcommittee on Labor, Health and Human
Services, Education and Related Agencies
Committee on Appropriations
2358-C Rayburn House Office Building
Washington, D.C. 20515

The Honorable James Walsh
Ranking Member
Subcommittee on Labor, Health and Human
Services, Education and Related Agencies
Committee on Appropriations
2358-C Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Obey and Ranking Member Walsh:

The Coalition of Northeastern Governors (CONEG) is pleased to submit this testimony for the record to the House Subcommittee on Labor, Health and Human Services, Education and Related Agencies regarding FY 2009 appropriations for the Low Income Home Energy Assistance Program (LIHEAP).

The Governors appreciate the Subcommittee's continued support for the LIHEAP program and recognize the considerable fiscal challenges facing the Subcommittee this year. In the face of skyrocketing cost of home energy, the Governors request that Committee provide the full \$5.1 billion in regular FY 2009 LIHEAP block grant funding as authorized in the Energy Policy Act of 2005. The Governors also ask that the Congress appropriate additional contingency funds to address unforeseen energy emergency situations.

LIHEAP is a vital safety net for many of nation's most vulnerable citizens. Rapidly escalating costs of home energy fuels have eroded the purchasing power of the LIHEAP dollar. If federal resources remain level or decline as home energy prices continue to rise, states face the difficult decision of serving fewer households, or reducing the level of benefits. The national average cost of heating a home has risen from \$704 during the winter of 2003-2004 to a projected \$981 this winter; yet the average LIHEAP benefit has decreased from \$464 to \$378.

Increased, predictable and timely federal funding is vital for LIHEAP to assist the nation's vulnerable, low-income households faced with exorbitant home energy bills. An increase in the regular LIHEAP appropriation to \$5.1 billion for FY 2009 and the appropriation of contingency funds will enable states across the nation to help mitigate the potential life-threatening emergencies and economic hardships that confront the nation's most vulnerable citizens.

The Northeast Governors stand ready to provide you with any additional information on the importance of the Low Income Home Energy Assistance Program to the Northeast and the nation.

Sincerely,

/o.s./
Jim Douglas
Chair
Governor of Vermont

/o.s./
John Lynch
Lead Governor for LIHEAP
Governor of New Hampshire

**Statement of the Coalition of Northeastern Governors
to the Subcommittee on
Labor, Health and Human Services, Education and Related Agencies
Committee on Appropriations
United States House of Representatives
Regarding FY 2009 Appropriations for
the Low Income Home Energy Assistance Program
March 31, 2008**

The Coalition of Northeastern Governors thanks you for this opportunity to provide testimony for the record to the House Subcommittee on Labor, Health and Human Services, Education, and Related Agencies regarding FY 2009 appropriations for the Low Income Home Energy Assistance Program (LIHEAP). The Governors appreciate the Subcommittee's continued support for the LIHEAP program and recognize the considerable fiscal challenges facing the Subcommittee this year. However, the skyrocketing cost of home energy has made this program more crucial than ever. The Governors request that regular FY 2009 LIHEAP block grant funding be appropriated at the full \$5.1 billion level as authorized by the Energy Policy Act of 2005. The Governors also ask the Congress to appropriate additional contingency funds to address unforeseen energy emergency situations.

Funding the LIHEAP block grant at the \$5.1 billion level will help restore some of the purchasing power of the program, provide greater certainty for program planning, and enable states across the nation to provide meaningful assistance to more citizens struggling to pay unaffordable home energy bills.

LIHEAP is a vital safety net for many of our nation's most vulnerable citizens. The program has served as a foundation of other assistance programs provided by utilities and the private sector, such as shutoff moratoria and other direct assistance. The highest level of LIHEAP assistance is provided to households with the lowest incomes that pay a high proportion of their income for home energy. These low-income households spend an average of 14 percent of annual income on home energy, compared to 3.6 percent for all other households. In 2004, elderly households in receipt of Supplemental Security Income paid nearly 19 percent of their income for energy, leaving few remaining funds to pay for food, shelter or medication. LIHEAP provides vital assistance to elderly households struggling to survive on fixed incomes, as 41 percent of LIHEAP recipient households include at least one elderly member.

Adding to the economic stress on these low-income households are the rapidly escalating costs of heating fuels that have eroded the purchasing power of the LIHEAP dollar. According to the Energy Information Administration (EIA), the national average cost of heating a home has risen from \$704 during the winter of 2003-2004 to a projected \$981 this winter – a 39 percent increase. This increase has far outpaced the growth in income for this population. Faced with

simply unaffordable energy bills, these households take drastic measures such as keeping their homes at unhealthy or unsafe temperatures, using unsafe alternative heating options, or accumulating high levels of home energy debt and the possibility of utility service shut-off.

At the same time that home energy prices are escalating, the average LIHEAP benefit has decreased and the number of households receiving assistance has declined since the peak of FY 2006. Approximately 5.7 million households – less than 16 percent of those eligible – now receive LIHEAP assistance (down from 5.8 million in FY 2006), and the average LIHEAP benefit has decreased from \$464 to \$378.

The recent price increases are especially troubling for households that rely on delivered fuels such as home heating oil and propane. According to the Department of Energy, roughly 69 percent of the nation's 5.3 million households that use home heating oil are in the Northeast. EIA estimates that households heating primarily with home heating oil will pay \$1,990 this year, or 35.6 percent more than last year and a 66 percent increase over three years. Without an adequate benefit that can meet the minimum delivery requirement, these households face the prospect that a dealer will not make a delivery or will require a surcharge, further reducing the purchasing power of the LIHEAP benefit.

Households that use natural gas are also struggling with dramatically increasing home energy costs. While the cost has increased at a slower rate than home heating oil, households using natural gas are expected to pay 7.2 percent more than last year, and 32 percent more than during the winter of 2003-2004. The rising utility bills result in many of these households accumulating substantial arrearages and facing the prospect of shutoffs as the moratoria period in some states ends. A recent report by the American Gas Association found that the percentage of past due accounts rose from 16.5 percent in 2001 to 21 percent in 2006, and the total amount of uncollectible expenses rose 39 percent between 2003 and 2006. LIHEAP funds can be instrumental in helping these households stay out of debt or get their utilities reconnected.

If federal resources remain level or decline as home energy prices continue to rise, states face the difficult decision of serving fewer households in order to maintain some of the purchasing power of the LIHEAP grant for the program's poorest families, or reducing the level of benefits to recipients. To deliver maximum program dollars to households in need, states in the Northeast have incorporated various strategies to minimize the program's administrative costs including using uniform application forms to determine program eligibility, establishing a one-stop shopping approach for the delivery of LIHEAP and related programs, sharing administrative costs with other programs, and using mail recertification. However, opportunities to further reduce LIHEAP administrative costs are limited, since they are already among the lowest of the human service programs. In spite of these state efforts to stretch federal and state LIHEAP dollars, the need for the program is far too great. Increased, predictable and timely federal funding is vital for LIHEAP to assist the nation's vulnerable, low-income households faced with exorbitant home energy bills.

An increase in the regular LIHEAP appropriation to the \$5.1 billion level for FY 2009 as well as the appropriation of additional contingency funds will enable states across the nation to help

mitigate the potential life-threatening emergencies and economic hardship that confront the nation's most vulnerable citizens. With these additional funds, states can provide assistance to more households in need, offer benefit levels that provide meaningful assistance, lessen the need for emergency crisis relief, plan and operate a more efficient program, and again make optimal use of leveraging and other cost-effective programs.

We thank the Subcommittee for this opportunity to share the views of the Coalition of Northeastern Governors, and we stand ready to provide you with any additional information on the importance of the Low Income Home Energy Assistance Program to the Northeast and the nation.

Identical Testimony was also submitted for the record to the Senate Labor/HHS Subcommittee.