



Winter Weather and Low-Income Heating Assistance

Federal programs can help low-income families cope with the rising cost of winter heating bills.

As winter approaches, early estimates indicate that home energy prices will be higher this year than last year. This is unwelcome news to the approximately 35 million low-income households (defined as those eligible for low-income energy assistance) that will struggle to purchase heat during the upcoming season. However, Congress and the president have the ability to reduce hardship for these Americans. Urgent action is needed this fall to bolster the resources available to the nation's primary federal programs targeting the home energy needs of low-income households—the Low-Income Home Energy Assistance Program, or LIHEAP, and the Weatherization Assistance Program, or WAP.

Rising home energy prices

Home heating, which is only required for a couple of months out of the year, is the largest single home energy expenditure. It accounts for 36 percent of the annual home energy bills in low-income households.

Families and seniors will be faced with the harsh realities of higher heating costs during the coming winter due to record oil prices caused by declining oil supply, growing worldwide oil demand, U.S. inaction to reduce our own oil demand, political instability in oil-producing nations, and oil speculation.

The degree to which a household will be affected by rising prices is largely determined by its primary heating fuel. Those who rely on heating oil and natural gas will experience the greatest increases. As compared to last winter, heating oil users will be paying 24.7 percent more for heat this winter (\$4.13 per gallon as opposed to \$3.31 per gallon). Natural gas, the most popular heating fuel, will cost 17.4 percent more as compared to last year. For more information see the table on page 2.

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Heating Fuel	% Price Increase Since Last Winter	Average Expenditures* On Heat Fuel Per Household (Winter 2007–08)	Estimated Average Expenditures* on Heating Fuel Per Household (Winter 2008–09)
Electricity	8.2%	\$858	\$944
Natural Gas	17.4%	\$855	\$1017
Propane	10.9%	\$1673	\$1890
Heating Oil	24.7%	\$1939	\$2524

Source: Short-Term Energy Outlook (September 2008) (Energy Information Association).

* Expenditures based on both price and level of consumption. Consumption levels may vary from year to year. This expenditures data is based on the average across American households. The average expenditures for low-income households tend to be lower, partially due to the fact that the average square footage for low-income homes is lower than the average across all homes.

The implications of increased costs are significant. If households are unable to pay for heat, their most vulnerable members, including the elderly, small children, or disabled residents, could face certain health risks, including hypothermia. Young children could experience negative impacts on their cognitive and physical development. Further, recently surveyed households indicated that they were cutting back on other necessities in order to manage rising utility costs—70 percent of low-income respondents were limiting their food purchases and 31 percent were cutting back on medicine.

The Low Income Home Energy Assistance Program

LIHEAP can play a significant role in helping low-income households avoid the effects of increased heating costs. It is the largest federal program designed to address the home energy needs of low-income households. LIHEAP provides financial assistance for home heating and cooling costs. Within states eligibility is limited to those with incomes below either 60 percent of the state’s median income or 150 percent of the state’s poverty level, whichever is greater. LIHEAP has been helping low-income families manage energy costs and stay warm during the winter since 1982.

Recommendation: Invest greater resources in LIHEAP

To help address upcoming winter heating needs, Congress should provide new funding to LIHEAP in the amount of \$5.1 billion for the fiscal year, which is the amount that Congress is authorized (or able) to spend on the program. This summer, Congress considered, but failed to pass, a bill that included this proposal. Such funding would have provided states with the ability to expand the number of households served, increase grant amounts, or follow a combination of the two, depending on a state’s assessment of how to best serve its residents.

Beginning with fiscal year 2005, Congress was authorized to spend up to \$5.7 billion dollars on LIHEAP each year—\$5.1 billion on a regular block grant and \$600 million in

emergency contingency funds. However, since that time, the amount distributed via these funding streams has failed to surpass \$3.2 billion. The available funding for FY 2008 was even lower, at \$2.5 billion.

This low appropriation level will not be enough to help families with this year's drastic increases in energy prices. It was not enough to comprehensively address previously existing needs. The program currently reaches only about 15.6 percent of eligible households. Due to limited resources, LIHEAP tends to target the poorest families and those with vulnerable members. Thus, despite the established income caps, 70 percent of recipients have incomes of less than 100 percent of the federal poverty level, which is currently \$21,027 for a family of four.

What's more, the actual value of the benefits received by individual households has been steadily declining. In 1981, each household received an average of \$213 for their heating and winter crisis costs. By 2005, the inflation-adjusted value of the benefit had plummeted to \$140. At the same time the value of the benefit has been going down, the price of home energy has been going up. Thus, LIHEAP assistance has been covering an increasingly smaller percentage of household heating bills.

Importantly, CAP has offered another policy proposal that would provide direct rebates to families of varying income levels to offset higher energy costs. Low-income households would benefit from such funds. However, these funds would compliment, rather than replace, additional LIHEAP funds, because they would serve those households with unusually high home energy bills in relation to their income, even as compared to other low-income families. Thus, measures designed to target the average household (or the average low-income household) would not fully meet the needs of those typically enrolled in LIHEAP.

The Weatherization Assistance Program

In the long run, the most beneficial way to assist low-income households is to not only help pay their energy bills, but to help lower them. The federal Weatherization Assistance Program helps to lower utility bills by providing homes with services designed to increase energy efficiency and thereby reduce the amount of energy those homes use. Examples of such services include installing insulation, sealing air leaks, caulking and weather stripping around windows and doors, and installing storm windows and doors. The program can reduce average home energy costs by 21 percent and gas heating costs by 32 percent.

In order to be eligible for the program, a household's income must be at or below 125 percent of the federal poverty level, and/or its recipients could participate in certain other government assistance programs. Alternatively, states can choose to apply the LIHEAP eligibility criteria.

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Recommendation: Invest greater resources in WAP

Congress should seek to fund WAP at \$900 million, which is the amount Congress is authorized to spend on the program in FY 2009. This would help to lower the heating costs of even more low-income families for next winter and future winters. Once the weatherization process has been completed, individual households continue to benefit for years to come, reducing their potential need for LIHEAP.

There is room to grow the number of households that WAP serves. The Department of Energy estimates that 15 million households would be good candidates for weatherization services. However, current resources only allow approximately 100,000 homes to be serviced each year, which is a mere 0.7 percent of potential homes. At this rate, it would take 150 years for the program to reach every household that could currently benefit. In FY 2008, Congress was able to spend \$750 million on WAP, but actually spent only \$227 million. This figure was consistent with spending patterns that have existed since 2002.

In addition to helping more families with winter heating costs, investments in WAP would aid in the nation's economic recovery. Lowering energy bills through weatherization frees up funds that families could spend in their communities, improving their local economies. Investments in weatherization could also expand the work hours and income of current program workers and create new jobs. Each \$1 million of WAP funding creates 52 direct jobs as well as additional jobs for subcontractors and material suppliers. Thus, funding the program at \$900 million would create 46,800 jobs.

Conclusion

Federal programs designed to address the home energy needs of low-income households have a recent history of being underfunded. The imperative to increase their funds has always been great, but it is even more urgent this year as families struggle to cope with stark increases in the costs associated with heating their homes this winter. While Congress is in session this fall, it should appropriate funds to LIHEAP and WAP that would allow the programs to operate fully at their authorized levels of \$5.1 billion and \$900 million, respectively.

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