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STEEP SPIKE IN ENERGY COSTS INCREASES LOW-INCOME HOUSEHOLDS' NEED FOR HELP PAYING HEATING BILLS THIS WINTER

Proposed "LIHEAP" Funding Level Falls Far Short of Need

The largest one-year jump in home heating prices in three decades means that the federal Low-Income Home Energy Assistance Program (LIHEAP) will require a significant amount of additional funding for fiscal year 2006 to avert widespread hardship, according to a new report by the Center on Budget and Policy Priorities.

The report includes data on the amount of funding each state will need in 2006 to keep LIHEAP recipients from paying more out-of-pocket for their heat this winter.

Projections issued by the Department of Energy indicate that home heating prices will average 47.5 percent more this winter than last winter. This is the steepest one-year increase in these costs since 1974, before LIHEAP was created. LIHEAP helps cover the cost of home heating and cooling bills for roughly 5 million very poor households, including many low-income elderly individuals.

"People who are poor enough to receive LIHEAP benefits, such as elderly widows living below the poverty line, are not in a position to absorb a big increase in home heating costs," said Richard Kogan, a senior fellow at the nonpartisan think tank and co-author of the report, *Out in the Cold*. "If these households don't receive more help paying their utility bills, many of them will face excruciating choices between heating their homes, paying the rent, having enough food to last through the month, and meeting other basic needs. Serious hardship is virtually certain to ensue."

The choice of whether to "heat or eat" is a real one for many poor households. A recent study by researchers from Stanford University, the University of Chicago, the RAND Corporation, and UCLA found that when poor families' heating bills go up during cold winter months, they reduce their spending on food by roughly the same amount as the increase in fuel expenditures.

Another recent study found that children in families that receive LIHEAP assistance are less likely to be underweight than children in families that are eligible for LIHEAP but do not receive it because of program funding limitations. (LIHEAP funding has never been sufficient to cover more than a fraction of the poor families eligible for assistance, and so is distributed by local officials on the basis of greatest need.)

\$5.2 Billion Needed for 2006 to Protect Recipients from Higher Heating Bills

To protect households currently receiving LIHEAP assistance from paying more for heat this winter and accommodate a small expected increase in LIHEAP participation* will require a funding level of \$5.2 billion for 2006, the Center's analysis finds. The President's request for LIHEAP aid, submitted before the recent spike in energy prices, was \$2 billion. The Administration is expected later this month to submit a request for supplemental appropriations related to Hurricane Katrina, but it has not indicated whether the request will contain additional LIHEAP funding.

The total heating bill of the average LIHEAP-assisted low-income household will increase by at least \$500 this winter unless Congress provides the program with substantially more than the \$2.2 billion in funding it received for fiscal year 2005. Increasing LIHEAP funding to \$5.2 billion would enable the program to cover the full increase in recipients' heating costs so they would not be forced to pay more out of their very limited budgets for heat this winter. (Simply increasing LIHEAP funding by 47.5 percent — to match the 47.5 percent increase in heating costs — would be inadequate. At that funding level, LIHEAP recipients still would face a 47.5 percent increase in their *own* share of heating costs, since LIHEAP generally covers less than a third of a household's monthly heating bill.)

It should be noted that even at a funding level of \$5.2 billion, LIHEAP would be able to serve only about one-seventh of the roughly 35 million households that are poor enough to qualify for assistance. The millions of eligible households that will receive no LIHEAP assistance could face serious difficulties this winter.

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The Center on Budget and Policy Priorities is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.

* This estimate assumes a five percent increase in LIHEAP participation for 2006. That estimate may be too conservative. LIHEAP participation has risen by an average of six percent annually since 2002, largely because increases in energy costs in those years led more eligible households to apply for the program. This year's increase in energy costs is nearly three times as great as the average annual increase since 2002.