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DID THE APPROPRIATIONS BILL PROVIDE A SUFFICIENT INCREASE IN LOW-INCOME ENERGY ASSISTANCE TO COVER SPIRALING HOME HEATING COSTS?

By Richard Kogan

Because of large increases in home heating costs in recent months, the funding level that Congress provided for the Low-Income Home Energy Assistance Program (LIHEAP)¹ in the recently enacted omnibus appropriations bill for fiscal year 2005 is not sufficient to cover the expected large increases in home heating costs. Many poor households assisted by the program — the majority of which include a person who is elderly or disabled² — may face considerable additional hardship during the coming winter.

According to the Department of Energy, the price of home heating oil is expected to be 38.2 percent higher this winter than last, while the price of propane is expected to be 22.3 percent higher. The price of natural gas is expected to be 12.1 percent higher.³ If these three sources of home heating are used about equally (as they normally are in the Northeast and Midwest combined), the average cost of home heating by these methods will be 24 percent higher this winter than last.

Expected Increase in the Price of Home Heating			
	Winter 03/04	Winter 04/05	percent increase
Heating oil, \$/gal	1.36	1.88	38.2%
Propane, \$/gal	1.30	1.59	22.3%
Natural gas, \$/mcf	9.77	10.95	<u>12.1%</u>
Average*			24.2%

** The average assumes equal consumption of each type of fuel, in total expenditures.*

In contrast, the omnibus appropriations bill increases LIHEAP funding from \$1.89 billion in 2004 to \$2.18 billion in 2005.⁴ This increase, while welcome, is \$164 million less than needed to cover the expected 24 percent increase in home heating costs. Adjusting for the price

¹ A federal program administered by the states, LIHEAP helps low-income households pay their heating bills during the coldest months of the winter. It also assists some poor households in southern states with their energy bills during summer heat waves, since lack of air conditioning in this region can cause severe heat prostration and even death. Roughly 19 of every 20 LIHEAP dollars are devoted to assisting with winter heating bills.

² According to *The LIHEAP Databook* (Campaign for Home Energy Assistance), an estimated 4.6 million households received assistance through the program in 2001. About 30 percent of these households included an elderly person, and another 30 percent included a disabled person.

³ Energy Information Administration (Department of Energy), "Short-term Energy Outlook – November 2004," Table WF1, Nov. 9, 2004.

⁴ The 2005 LIHEAP funding level of \$2.18 billion used in this analysis includes the effects of an across-the-board funding cut of 0.8 percent included in the omnibus appropriations bill, which is applicable to almost all domestic funding. Without that cut, LIHEAP funding would have been \$2.2 billion, or \$18 million higher.

of fuel, the 2005 level of LIHEAP funding is lower than in any of the previous five years — 23 percent lower than the funding level for 2001.

Moreover, the omnibus appropriations bill places almost \$300 million of the LIHEAP funding for 2005 in a contingency fund. The President in his sole discretion can choose whether to release none, some, or all of these funds, and to which states. In some recent years, LIHEAP contingency funding has not been fully released. If none of the \$300 million in contingency funding is made available, LIHEAP funding will be about \$460 million below the level needed to cover the rising cost of home heating for the low-income households the program currently serves.

If the Department of Energy cost estimates are correct, and if this winter's weather is similar to last winter's, LIHEAP will require \$2.35 billion in 2005 (24 percent above the 2004 level) to defray the same portion of home heating costs for the same number of low-income households as it did last year. Since less than \$2.35 billion was provided, the program will be forced either to serve fewer households this winter or to fail to provide those households that it does assist with sufficient amounts to protect them from the large increase in home heating costs.

Analysis Provided Here May Understate Funding Needs for the Coming Winter

In evaluating LIHEAP's funding needs for the coming winter, two additional facts should be considered:

- Even an increase in LIHEAP funding to \$2.35 billion would not have provided any help to the large numbers of poor households that qualify for LIHEAP but receive no assistance. LIHEAP is not an entitlement and has never received adequate funding to assist all of the households with incomes low enough to qualify for help. Local administrators generally direct LIHEAP funds to the neediest households, leaving many other, slightly less poor households with no assistance.

Many poor households that receive no LIHEAP assistance will be in an even more difficult position this year than last, however, because of the sharp increases in home heating prices. Poor households that use heating oil but receive no help from LIHEAP will be especially vulnerable, since the increase in heating oil prices has been particularly steep (38 percent). LIHEAP would require an increase of more than 24 percent — i.e., to more than \$2.35 billion — to help these eligible-but-unassisted households.

- The weather could prove to be harsher than it was last winter. Northern temperatures last winter were consistent with average temperatures over the last 50 years. This winter could be either colder or warmer than average.

For the reasons discussed in this analysis, a supplemental appropriation for LIHEAP appears justified.