

MAINE STATE LEGISLATURE

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LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

**ANNUAL REPORT TO
THE JOINT STANDING COMMITTEE ON
APPROPRIATIONS AND FINANCIAL AFFAIRS**

JUNE 30, 2000

119TH MAINE LEGISLATURE
SECOND REGULAR SESSION

The mission of the Maine State Housing Authority is to assist Maine people to obtain and maintain decent, safe, affordable housing and services suitable to their unique housing needs.

In carrying out this mission, the Maine State Housing Authority will provide leadership, maximize resources, and promote partnerships to develop and implement sound housing policy.

July 21, 2000

The Honorable Michael Michaud, Chair
The Honorable Elizabeth Townsend, Chair
Joint Standing Committee on Appropriations and Financial Affairs
115 State House Station
Augusta, Maine 04333

Dear Senator Michaud and Representative Townsend:

Enclosed please find our report to the committee on the federal Low Income Home Energy Assistance Program. 30-A MRSA §4722 directs the Maine State Housing Authority to:

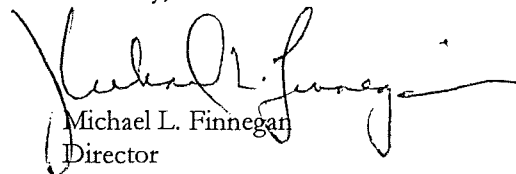
report to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs on June 30, 1992 and annually thereafter on the low income energy assistance program. The report must include, but is not limited to, program revenues and expenditures, number of persons served and types of services provided.

This report covers the program year running from October 1, 1999 through September 30, 2000. This was a unique year. The sharp rise in oil prices resulted in Maine receiving \$33,415,581, which is our largest LIHEAP grant ever. Some highlights from the report include:

- The program served over 50,400 Maine households.
- The fuel assistance benefit averaged \$491 – almost twice last year's \$261.
- 1,500 households received the \$1 benefit allowing them to qualify for a higher food stamp benefit.
- The predictions for next winter suggest heating oil and natural gas prices will be higher than usual.
- Maine passed two laws that effect the program – one from this committee creating a task force to study fuel assistance and one from the Utilities Committee requiring us to estimate additional funds needed if home heating oil prices rise more than 40% in a 2 week period.

I hope this report is useful. I urge you to contact me or Peter Merrill with any questions you may have or any suggestions for making this report more useful to you.

Sincerely,



Michael L. Finnegan
Director

cc: The Honorable Angus S. King, Jr.
The Honorable Olympia Snowe
The Honorable Susan Collins

The Honorable Thomas Allen
The Honorable John Baldacci
Joint Standing Committee on Utilities and Energy

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

Introduction

The Maine State Housing Authority has been designated by the Legislature to administer the federal Low Income Home Energy Assistance Program. The program provides assistance to low income households for their energy bills. It is overseen by the federal Department of Health and Human Services. In Maine, the funds are used primarily to help pay winter home heating bills for those who qualify. The Authority contracts with Maine's Community Action Agencies to administer the program on the local level.

The program has three components:

- Fuel Assistance,
- Emergency Crisis Intervention, and
- Weatherization.

30-A MRSA §4722 requires the Maine State Housing Authority to "report to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs on June 30, 1992 and annually thereafter on the low-income energy assistance program. The report must include, but is not limited to, program revenues and expenditures, number of persons served and types of services provided."

Financial Summary For The Program Year 10/1/99 to 9/30/00

Revenues

| | |
|--------------------------------|----------------------|
| LIHEAP Grant | \$ 14,025,580 |
| Emergency supplemental grants | 17,167,807 |
| Carry forward from 98/99 grant | 1,809,166 |
| Leveraging Award | <u>413,028</u> |
| TOTAL | \$ 33,415,581 |

Expenses

| | |
|----------------------------------|-------------------|
| Fuel Assistance | \$ 21,400,000 |
| Other Benefits | 280,420 |
| Emergency Crisis Intervention | 751,267 |
| Weatherization | 4,001,865 |
| Obligations for FY 00/01 | 4,200,000 |
| Community Action Agency Expenses | 2,387,964 |
| MSHA Expenses | <u>394,065</u> |
| TOTAL | 33,415,581 |

Maine Households Served and Average Benefit Provided

| | Households | Average Benefit |
|--|---------------------|-----------------|
| Fuel Assistance | 43,600 ¹ | \$ 491 |
| Fuel Assistance To Increase Food Stamp Benefit | 1,500 | \$ 1 |
| Emergency Crisis Intervention | 3,673 | \$ 205 |
| Weatherization | 1,675 ¹ | \$ 2,389 |

Services Provided

Fuel Assistance - The fuel assistance program provides funds to pay a portion of a low-income person's winter heating bill. The person applies to the local Community Action Agency which determines if the applicant qualifies and, if so, for how much. The grant is generally paid to the fuel vendor identified by the applicant.

The amount of the grant is determined by a formula that considers the type of housing, the number of rooms to be heated, the type and cost of the fuel, the expected degree days for the area, MSHA's estimate of how much money will be available, and MSHA's estimate of how much demand there will be. We would rather have some money to carry over to the next year than have to cut the program off because we ran out of money.

1999-2000 Fuel Assistance Benefit - This past year there was a sharp increase in the price of heating oil. As a result, the President made three separate, additional grants to Maine from an emergency fund under his control that is set up for this purpose. The first \$25,048,500 of LIHEAP benefits Maine received were available to those whose incomes were:

- 125% of the official poverty guidelines (\$20,875 for a family of four), or
- 150% of the poverty guidelines if the household has a member vulnerable to the effects of hypothermia (elderly, has special needs, or is under the age of 25 months).

The last \$6,144,487 of benefits were made available to those whose incomes were at or below 170% of the poverty guidelines (\$28,390 for a family of four).

Emergency Crisis Intervention - This program provides immediate assistance to qualified households that have a home heating emergency. The program can be used for fuel and for equipment repair.

Weatherization - This program is limited by federal law to 15% of the money that we receive. We use it to complement the federal Department of Energy Weatherization Program which we also administer. Funds can be used for insulation, caulking, and weather-stripping; to repair, upgrade, or replace central heating systems that have become inoperable, inefficient, or that pose a threat to the health and safety of the household; and for other things that conserve energy and reduce heating costs. Priority is given to health and safety, high heating costs, and those receiving DOE weatherization services.

MSHA strongly supports weatherization because it is a permanent solution, not a temporary one. A recent study of the weatherization program in Aroostook County found that an investment of \$1,800 reduces energy costs by about \$300 per year. We always spend the maximum amount allowed by law on weatherization.

¹ Projected

Funding History

| Federal Fiscal Year | Total Grant Amount | Fuel Assistance Households Served | Average Fuel Assistance Benefit |
|---------------------|--|-----------------------------------|---------------------------------|
| 1999-2000 | \$14,438,608 <u>17,167,807</u> (emergency) ² \$31,606,415 | 43,600 est. | \$ 491 |
| 1998-99 | \$14,279,141 <u>753,964</u> (emergency) \$15,033,105 | 35,763 | \$ 261 |
| 1997-98 | \$13,056,525 | 36,110 | \$ 234 |
| 1996-97 | \$13,043,183 <u>2,383,256</u> (emergency) \$15,426,439 total | 38,311 | \$ 315 |
| 1995-96 | \$11,917,397 <u>2,354,602</u> (emergency) \$14,271,999 total | 38,050 | \$ 329 |
| 1994-95 | \$17,123,135 | 54,000 | \$ 220 |
| 1993-94 | \$18,782,776 <u>7,834,458</u> (emergency) \$26,617,234 total | 59,485 | \$ 275 |
| 1992-93 | \$17,332,318 | 60,000 | \$ 242 |
| 1991-92 | \$19,804,559 ³ | 60,000 | \$ 245 |
| 1990-91 | \$19,000,000 <u>4,200,000</u> (emergency) \$23,200,000 total | 61,000 | \$ 240 |
| 1989-90 | \$18,700,000 <u>1,600,000</u> (emergency) \$20,300,000 total | 62,000 | \$ 245 |
| 1988-89 | \$18,600,000 | 52,000 | \$ 297 |
| 1987-88 | \$20,600,000 | 52,612 | \$ 310 |
| 1986-87 | \$24,500,000 | 56,710 | \$ 315 |
| 1985-86 | \$26,600,000 | 60,171 | \$ 312 |
| 1984-85 | \$27,900,000 | 61,363 | \$ 341 |
| 1983-84 | \$27,900,000 | 51,667 | \$ 405 |

² The president has a pool of funds he can distribute in the event of severe winter or other emergency.

³ 25% was withheld until the end of the fiscal year.

Projection For The Winter of 2000-01

We expect Congress to provide level funding for LIHEAP for the next federal fiscal year. Many are projecting that heating oil prices will rise again this winter. (See attached front-page article from the *New York Times*.) In addition, natural gas prices have gone up more than usual. The President has authorized the creation of a northeastern heating oil reserve but the Congress has not yet authorized its use.

Maine Legislation

The Legislature passed two bills this past session that effect the program. The first creates the Task Force to Reduce the Burden of Home Heating Costs on Low-income Households. The Task Force has 16 members, including four members of the Legislature (two Senators and two Representatives with preferences for the Appropriations and Utilities committees). The Task Force has not yet met. The report is due on November 1st.

The second law has two parts. The first requires the State Planning Office (SPO) to report petroleum products inventory information to the Energy and Utilities Committee and to notify the Committee if SPO expects a significant shortfall. The second part requires MSHA to estimate additional fuel assistance funds needed if home heating oil prices rise more than 40% in a 2 week period and determine additional need if they rise more than 50%. MSHA is required to provide those estimates to the Governor and the Appropriations, Business and Economic Development, and Energy and Utilities committees.

Copies of these two laws are attached.

LIHEAP Rule

Our annual LIHEAP rule making is in progress. We have proposed adding a provision that would allow us to increase the income level of the people we serve if the benefit can be kept at \$300 or more. Previously we have served those who earned 125% of the federal poverty level (\$20,875 for a family of 4). The level was increased to 150% if the household has a member vulnerable to the effects of hypothermia (elderly, has special needs, or is under the age of 25 months). With the increase in funds this past year, we were asked to increase the number of those served to include those whose incomes were at or below 170% of the poverty guidelines (\$28,390 for a family of four). The proposed change will allow us to do that again this year without emergency rulemaking if we receive adequate funds.

Conclusion

Last year we told you it was nice to report that the heating season was uneventful. This year we are not so fortunate, nor do the predictions look good for the coming winter. The one constant that we have enjoyed is the strong support for this program both from our state political leaders and from our congressional delegation. We particularly appreciate the work done on Maine's behalf by the delegation and their staff.