

MAINE STATE LEGISLATURE

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September 13, 2005

The Honorable Margaret Rotundo, Chair
The Honorable Joseph Brannigan, Chair
Joint Standing Committee on Appropriations and Financial Affairs
115 State House Station
Augusta, Maine 04333

Dear Senator Rotundo and Representative Brannigan:

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, 2004 through September 30, 2005. This year we received \$30,625,000. This is up from last year's \$25,100,000. Some highlights from the report:

- The program served over 46,450 Maine households compared to 45,000 last year.
- The fuel assistance benefit averaged \$478 compared to \$440 last year.
- 4,775 people received emergency fuel benefits averaging \$232 per household.
- The average household income of those served was \$12,062.

Major Changes Initiated

I delayed submitting this report so that I can report to you on major administrative changes we are making to the program. I believe that we should be leveraging a greater benefit for those we serve. To that end, for the upcoming year we are offering three options to the oil dealers that wish to participate in the program:

- 1) offer their cap price plan,
- 2) offer a number of cents off per gallon, or
- 3) offer the cash price.

If they choose to offer their cap price plan, there is a price cap and the customer pays the lower of the cap or the cash price. It is the same deal available to their other customers.

If they choose to discount the fuel, then the cash price will be discounted by a set amount. The required discount for each dealer will be based on the number of LIHEAP gallons purchased from the dealer during the previous year. The more oil purchased, the deeper the

LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

Introduction

The Maine State Housing Authority (MSHA) has been designated by the Legislature to administer the federal Low Income Home Energy Assistance Program (LIHEAP). The program provides assistance to low income households for their energy bills. The federal Department of Health and Human Services oversees LIHEAP. In Maine, the funds are used primarily to help pay winter home heating bills for those who qualify. MSHA 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 MRS §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 10/1/04 to 9/30/05

Note: Figures are projected. The program year ends 9/30/05. However, this is primarily a wintertime program and over 90% of the program funds have been spent, so this summary provides a good review.

Revenues

LIHEAP Base Grant Award	\$ 24,294,556
LIHEAP Supplemental Emergency Awards	6,330,367
Pre-obligated Funds	2,600,000
Rollover	<u>75,546</u>
TOTAL REVENUES	\$ 33,300,469

Expenses

Fuel Assistance	\$ 21,560,000
Other Benefits	280,000
Emergency Crisis Intervention	1,118,034
Weatherization	4,593,740
Pre-obligated Funds	2,700,000
Community Action Agency Expenses	2,296,870
MSHA Expenses	<u>751,825</u>
TOTAL EXPENSES	\$ 33,300,469

Maine Households Served and Average Benefit Provided

	Households	Average Benefit
Fuel Assistance	46,450	\$ 478
Fuel Assistance To Increase Food Stamp Benefit	1,444	\$ 1
Emergency Crisis Intervention	4,775	\$ 232
Weatherization	1,600	\$ 2,400
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Average Household Income	\$ 12,062	
Average Household Size	2.07	

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 either actual consumption usage in the previous heating season or by a formula. The actual consumption is reported by some 500 contracted vendors throughout the state. When no consumption figure is available, the formula considers the type of housing, the number of rooms to be heated, the type and cost of the primary fuel to be used, the estimated degree days for the area, and our estimate of how much money will be available and how much demand there will be. We use somewhat conservative estimates because we would rather have some funds carried forward into the next year rather than run out of funds and leave some people not served.

Qualified Households - The benefits were available to those whose incomes were:

- 150% of the poverty guidelines (\$18,735 for a family of two; \$28,275 for a family of four), or
- 170% of the poverty guidelines (\$21,233 for a family of two; \$32,045 for a family of four) if the household has a member vulnerable to the effects of hypothermia (is elderly, has special needs, or is under the age of 25 months).

Emergency Crisis Intervention - This program provides immediate assistance to qualified households that have a home heating emergency. The program can be used for fuel or for equipment repair. The maximum benefit in the 2004 - 2005 program was \$300.

Weatherization - This program is limited by federal law to 15% of the money that we receive. 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 items impacting health and safety, high heating costs, and to households receiving Department of Energy weatherization services.

Funding History

Federal Fiscal Year	Total Grant Amount	Fuel Assistance Households Served	Average Fuel Assistance Benefit
2004-2005	\$24,294,556 <u>6,330,367</u> (emergency) ¹ \$30,624,923 total	46,450	\$ 478
2003-2004	\$23,045,594 <u>2,049,484</u> (emergency) \$25,095,078 total	45,520	\$ 440
2002-2003	\$23,031,683 <u>5,567,518</u> (emergency) \$28,599,201 total	45,056	\$ 480
2001-2002	\$21,874,256	47,300	\$ 358
2000-2001	\$17,949,919 <u>11,006,582</u> (emergency) \$28,956,501 total	53,865	\$ 433
1999-2000	\$14,438,608 <u>17,167,807</u> (emergency) \$31,606,415 total	44,843	\$ 491
1998-99	\$14,279,141 <u>753,964</u> (emergency) \$15,033,105 total	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) \$26,617,234total	59,485	\$ 275
1992-93	\$17,332,318	60,000	\$ 242
1991-92	\$19,804,559 ²	60,000	\$ 245
1990-91	\$19,000,000 <u>4,200,000</u> (emergency) \$23,200,000total	61,000	\$ 240
1989-90	\$18,700,000 <u>1,600,000</u> (emergency) \$20,300,000total	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

¹ The president has a pool of funds he can distribute in the event of severe winter or other emergency.

² 25% was withheld until the end of the fiscal year.

Projection for the Winter of 2005 - 2006

We are very concerned about the upcoming winter. Energy prices, led by oil and natural gas, continue to defy gravity. We are working with our Congressional delegation to increase funding. In the past that has been an uphill fight. It is possible that the unprecedented price increases will make an increase more likely, but it is doubtful that it would be enough to make up for the buying power lost by the increased prices. And, as if to rub salt in the wound, the *Farmer's Almanac* has predicted a colder than normal winter for New England.

Conclusion

This is not going to be a good year for those who depend on LIHEAP to ease the financial burden of buying fuel. Higher prices and colder weather mean a real hardship for the old, the infirm, and the very poor. Total LIHEAP funding for Maine over the last six years is the highest it has been since the mid-1980s, allowing us to increase benefit levels for needy households. In the last nine years, base federal funding for LIHEAP has doubled from \$900 million to \$1.9 billion. We have benefited from additional funds over the past few years from emergency awards justified by increased fuel prices and colder weather. All these gains could be wiped out this winter.

MSHA is grateful to all of the people who support the LIHEAP program. It has a broad base of support across the state and across the political spectrum. We appreciate the support of the members of the Business and Economic Development Committee, the Utilities and Energy Committee, and the Appropriations Committee. We are grateful to Maine's Congressional Delegation and their staff and to Governor Baldacci for speaking with a united voice in favor of LIHEAP and for their work to enhance the program. Finally, we are grateful to the Community Action Agencies and the many fuel vendors throughout the state who go out of their way to deliver this program to those in need.