

# MAINE STATE LEGISLATURE

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# MaineHousing

Maine State Housing Authority

September 9, 2006

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 annual report to the committee on the federal Low Income Home Energy Assistance Program. We are directed by 30-A MRSA §4722 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, 2005 through September 30, 2006. Because the program year is not over, many of the expense numbers are estimates. This year we received \$36,687,230 from the federal government, \$5,000,000 from you, and \$5,598,080 from CITGO. The federal money was an increase of \$6,062,307 over the previous year. Some highlights from the report:

- The program served over 51,000 Maine households, up 5,000 from last year.
- The fuel assistance benefit averaged \$675 compared to \$479 last year.
- 3,833 people received emergency fuel benefits averaging \$260 per household.
- The average household income of those served was \$12,000.

### *Major Changes Initiated*

We continue to make major changes to the program. We were asked by Governor Baldacci and many of you to find a better deal for the tens of millions of dollars we spend on heating oil each year. After a long and thorough process, our Board of Commissioners voted to establish a new approach to the purchase of heating oil in the LIHEAP program.

The new program will allow two options for oil dealers who want to participate in the program. Having two options recognizes the different business models of cash only dealers and full service dealers. We are interested in having both participate in LIHEAP.

1) Margin Over Rack – MaineHousing has set the margin, based on location, that we will pay a dealer above the wholesale price paid at the rack (the terminal where the oil is picked up). The wholesale price fluctuates and will be faxed and emailed daily to each participating oil dealer.

2) Discount Off Retail – MaineHousing has set a discount off the retail cash price.



The exception to these two options is if a customer is participating in one of the allowed price protection plans. The oil dealer may then charge the contracted price as long as it is the price paid by all customers on that plan.

If Margin Over Rack/Discount Off Retail pricing had been in place last winter, MaineHousing projects it would have been able to purchase between 500,000 and 620,000 more gallons of oil for Maine seniors and low income families.

We want to achieve two things with this change:


- 1) We want to use the buying power of this multi-million dollar program to get the very best deal possible for our neediest citizens. Remember, the average income of a LIHEAP customer is under \$12,000 per year and over half are elderly or have a child under the age of two.
- 2) We arrived at Margin Over Rack and Discount Off Retail as the best way to stretch the taxpayer dollar with the least disruption of the marketplace relationship between LIHEAP recipients and their dealers. It also allows any oil dealer who wishes to participate.

This is a matter of using marketplace solutions to assist our neediest citizens; this is not a matter of "setting prices." This will not result in higher prices for regular customers to "subsidize" the LIHEAP customers any more than discounts and other special pricing do today. If anything, by paying the daily cash price for the last 15 years, while other consumers were getting discounts, taxpayer-funded LIHEAP must have been subsidizing oil dealers.

We have also implemented a new computer system that will increase efficiencies throughout the system and we will be taking many more applications during the summer months to decrease the waiting list for appointments and smooth the flow of funds for the next heating season.

I hope this report is useful. I want to underscore the comments in the concluding section that thank the many people who have worked so hard to make this program successful and to improve it. I urge you to contact me with any questions you may have or any suggestions for improving the program or making this report more useful to you.

Sincerely,



Dale McCormick  
Director

cc: The Honorable John E. Baldacci  
The Honorable Olympia Snowe  
The Honorable Susan Collins

The Honorable Thomas Allen  
The Honorable Michael Michaud

The Joint Standing Committee on Business and Economic Development  
The Joint Standing Committee on Utilities and Energy

## LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

### *Introduction*

MaineHousing (Maine State Housing Authority) 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. We contract with Maine's Community Action Agencies to help administer the program on the local level.

The program has three components:

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

30-A MRSA §4722 requires MaineHousing 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 10/1/05 to 9/30/06*

[Note: Figures are projected; the program year ends 9/30/06.]

#### Revenues

LIHEAP Base Grant Award	\$ 25,835,221
LIHEAP Supplemental Emergency Awards	10,852,009
Pre-obligated Funds	2,700,000
LIHEAP Leveraging Award	187,678
Rollover	<u>23,045</u>
Total LIHEAP Funding Available	\$ 39,597,953
State Funding for Fuel Assistance	5,000,000
CITGO Funding	<u>5,598,080</u>
<b>Total All Funding Sources</b>	<b>\$ 50,196,033</b>

#### Expenses

Fuel Assistance	\$ 31,660,000
Other Benefits	382,076
Emergency Crisis Intervention	1,052,088
State funding tribal set-aside	182,501
Weatherization	5,331,878
Pre-obligated Funds	7,900,000
Community Action Agency Expenses	2,492,270
Expenses - administration	695,220
- database development	<u>500,000</u>
<b>Total Expenses</b>	<b>\$ 50,196,033</b>



### *Maine Households Served and Average Benefit Provided*

	Households	Average Benefit
Fuel Assistance	46,860	\$ 675
Fuel Assistance To Increase Food Stamp Benefit	4,160	\$ 5
Emergency Crisis Intervention	3,833	\$ 260
Weatherization Program <sup>1</sup> :		
Central Heating Improvement Program (CHIP)	1,052	\$ 2,662
Weatherization work	710	\$ 3,588
<hr/>		
Average Household Income	\$ 12,000	
Average Household Size	2	

### *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, our estimate of how much money will be available, and our estimate of how much demand there will be.

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

- 150% of the poverty guidelines (\$19,245 for a family of two; \$29,025 for a family of four), or
- 170% of the poverty guidelines (\$21,811 for a family of two; \$32,895 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 2005 - 2006 program was \$300.

Central Heating Improvement Program (CHIP) and Weatherization - These activities are limited by federal law to 15% of the money that we receive. These funds may 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. For the 2005-2006 program year, 14% of the funds were used this way.

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<sup>1</sup> These funds often complement the Department of Energy Weatherization program which can provide a maximum benefit of \$2,744 per house. Many of the homes receive additional LIHEAP Weatherization (Department of Health and Human Services) funds as shown in this report to make an average combined total of \$5,000 per house.

### *New Initiatives*

MaineHousing is already preparing for the next LIHEAP season. We were asked by Governor Baldacci and many of you to find a better deal for the tens of millions of dollars we spend on heating oil each year. After a long and thorough process, our Board of Commissioners voted to establish a new approach to the purchase of heating oil in the LIHEAP program.

The new program will allow two options for oil dealers who want to participate in the program. Having two options recognizes the different business models of cash only dealers and full service dealers. We are interested in having both participate in LIHEAP.

- 1) Margin Over Rack – MaineHousing has set the margins in the table below that we will pay a dealer above the wholesale price paid at the rack (the terminal where the oil is picked up). The margin varies depending upon in which region the delivery is made. The map on the following page shows the 4 regions and shows that the further away a delivery is from the rack, the larger the margin to pay for the added costs. The margin includes cost and profit.

MARGIN OVER RACK				
	ALLOWABLE MARGIN FOR #2 HEATING OIL		ALLOWABLE MARGIN FOR K-1	
	LIHEAP FUEL ONLY	ENTIRE SEASON'S FUEL	LIHEAP FUEL ONLY	ENTIRE SEASON'S FUEL
Region 1	28 cents	31 cents	36 cents	39 cents
Region 2	31 cents	34 cents	39 cents	42 cents
Region 3	34 cents	37 cents	42 cents	45 cents
Region 4	37 cents	40 cents	45 cents	48 cents

- 2) Discount Off Retail – MaineHousing has set a discount off the retail cash price.

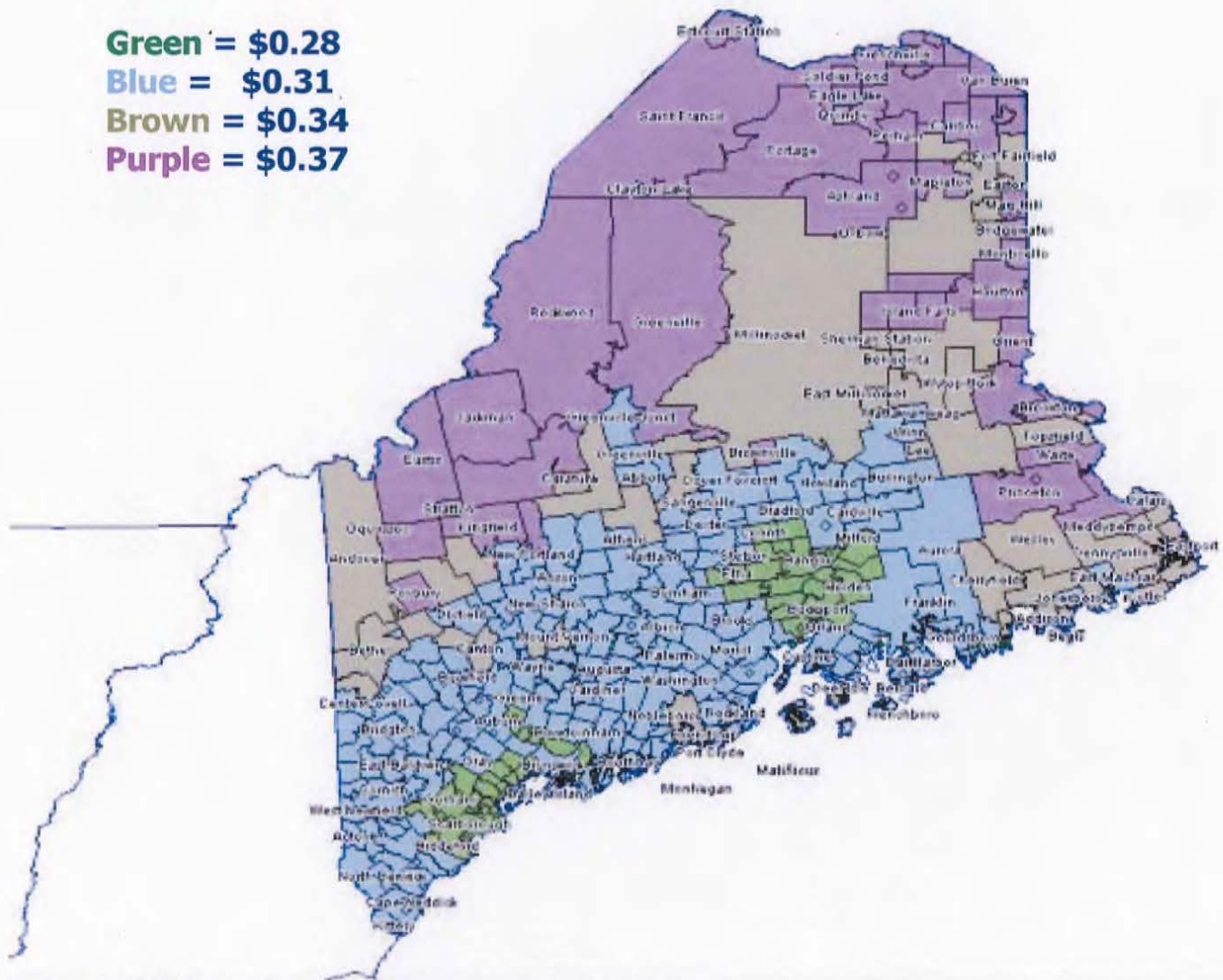
DISCOUNT OFF RETAIL CASH PRICE				
	DISCOUNT FOR #2 HEATING OIL		DISCOUNT FOR K-1	
	LIHEAP FUEL ONLY	ENTIRE SEASON'S FUEL	LIHEAP FUEL ONLY	ENTIRE SEASON'S FUEL
Statewide	6 cents	3 cents	6 cents	3 cents

In addition, there are two options within each program. A dealer can choose to apply this pricing to the LIHEAP fuel only or to the client's entire heating season's worth of fuel. The oil dealer is given a larger margin or required a smaller discount if they choose the entire season option as they are providing the MOR/DOR pricing on more fuel.

The exception to these two options is if a customer is participating in one of the allowed price protection plans. That customer is then excluded from the above pricing system.



**Green = \$0.28**  
**Blue = \$0.31**  
**Brown = \$0.34**  
**Purple = \$0.37**



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We have also implemented a new computer system that will increase efficiencies throughout the system and we will be taking many more applications during the summer months to decrease the waiting list for appointments and to smooth the flow of funds for the next heating season.

### *Conclusion*

Last year was a very unusual one and we were very fortunate to receive, on the one hand, extra funding from the State and CITGO, and, on the other, a relatively mild winter. We make no predictions about next winter's weather, but it seems quite safe to predict that oil prices will not return to their winter 2004-2005 levels. We will be watching developments carefully and are prepared to react immediately as necessary.

MaineHousing 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.



LOW INCOME HOME ENERGY ASSISTANCE PROGRAM - LIHEAP

10 Year Summary - 1997 thru 2006

Last Updated:

July 26, 2006

Program Funding And Expenses

	FFY 97	FFY 98	FFY 99	FFY 00	FFY 01	FFY 02	FFY 03	FFY 04	FFY 05	Projected FFY 06
<b>Sources</b>										
LIHEAP Base Grant Award	12,757,817	12,750,827	14,020,965	14,025,580	17,949,919	21,874,256	23,031,683	23,045,594	24,294,556	25,835,221
Supplemental LIHEAP Awards	2,383,256	1,114	782,840	17,174,297	11,010,115	0	5,567,518	2,049,484	6,330,367	10,852,009
LIHEAP Leveraging Award	285,366	305,698	258,176	413,028	363,355	344,508	231,450	198,732	-	187,678
Rollover - Pre-obligated for Fuel Assistance	-	-	500,000	1,600,000	4,145,288	4,250,000	4,100,000	4,000,000	2,600,000	2,700,000
Other Rollover	532,308	95,180	457,525	255,658	541,302	583,896	344,767	230,396	62,160	23,045
<b>Total LIHEAP Funding</b>	<b>15,958,747</b>	<b>13,152,819</b>	<b>16,019,506</b>	<b>33,468,563</b>	<b>34,009,979</b>	<b>27,052,660</b>	<b>33,275,418</b>	<b>29,524,206</b>	<b>33,287,083</b>	<b>39,597,953</b>
State funding for Fuel Assistance	-	-	-	-	-	-	-	-	-	5,000,000
Less set-aside for Tribal Organizations	-	-	-	-	-	-	-	-	-	(182,501)
Citgo funding (from Venezuela)	-	-	-	-	-	-	-	-	-	5,598,080
<b>Total All Funding Sources</b>	<b>15,958,747</b>	<b>13,152,819</b>	<b>16,019,506</b>	<b>33,468,563</b>	<b>34,009,979</b>	<b>27,052,660</b>	<b>33,275,418</b>	<b>29,524,206</b>	<b>33,287,083</b>	<b>50,013,532</b>
<b>Uses</b>										
Fuel Assistance	11,696,873	8,136,320	9,559,489	21,069,805	20,475,263	15,969,535	20,743,291	19,338,520	21,526,794	31,660,000
Energy Crisis Intervention Program (ECIP)	304,139	345,408	523,398	778,232	1,249,815	618,694	734,576	822,498	1,119,318	1,052,088
Weatherization (includes CHIP)	2,273,881	2,260,132	2,405,855	4,040,698	4,710,450	3,625,885	4,506,413	3,963,163	4,575,434	5,331,878
Other Benefits	234,107	255,017	280,420	276,104	280,407	280,000	279,970	280,000	280,000	382,076
CAP Agency Administration	1,099,303	959,276	1,068,023	2,325,233	2,167,168	1,675,150	2,155,732	1,872,948	2,267,222	2,492,270
MSHA Administration	296,752	313,726	368,381	308,845	389,980	482,312	413,560	494,727	576,051	695,220
LIHEAP MIS Database Development	-	-	-	-	-	50,000	300,000	150,000	219,219	500,000
Pre-obligated for Next Year Fuel Assistance	-	500,000	1,600,000	4,145,288	4,250,000	4,100,000	4,000,000	2,600,000	2,700,000	7,900,000
Other Rollover	53,692	382,940	213,940	524,358	486,896	251,084	141,876	2,350	23,045	0
<b>Total Uses</b>	<b>15,958,747</b>	<b>13,152,819</b>	<b>16,019,506</b>	<b>33,468,563</b>	<b>34,009,979</b>	<b>27,052,660</b>	<b>33,275,418</b>	<b>29,524,206</b>	<b>33,287,083</b>	<b>50,013,532</b>

Maine Households Served And Average Benefit Provided

	FFY 97		FFY 98		FFY 99		FFY 00		FFY 01		FFY 02		FFY 03		FFY 04		FFY 05		Projected FFY 06	
	Households	Avg Benefit	Households	Avg Benefit	Households	Avg Benefit	Households	Avg Benefit	Households	Avg Benefit	Households	Avg Benefit	Households	Avg Benefit	Households	Avg Benefit	Households	Avg Benefit	Households	Avg Benefit
<b>Fuel Assistance</b>																				
Full Fuel Assistance Benefits	37,064	316	35,642	228	34,397	278	43,332	486	46,729	439	44,562	359	43,344	480	43,835	441	44,897	479	46,860	675
F/A to Increase Food Stamps Benefits	1,501	1	1,202	1	1,300	1	1,511	1	5,602	1	2,534	1	1,637	1	1,584	1	1,443	1	4,160	5
Energy Crisis Intervention Program	1,457	209	1,420	243	?		1,675	465	5,793	216	4,062	152	4,296	171	4,179	197	4,772	235	3,833	260
<b>Weatherization</b>																				
Central Heating Improvement Program	517	1,696	588	1,765	641	1,821	1,149	1,906	1,132	2,152	976	1,978	1,234	1,994	1,111	1,906	999	2,428	1,052	2,662
Weatherization	489	2,857	447	2,733	390	3,176	462	4,005	660	3,446	575	2,949	601	3,404	525	3,516	639	3,365	710	3,588