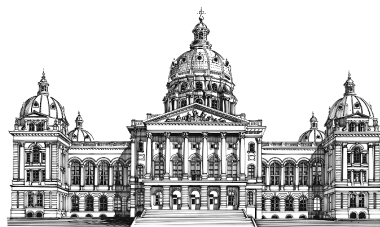


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Low-Income Home Energy Assistance Program (LIHEAP)

ISSUE

This *Issue Review* examines the Low-Income Home Energy Assistance Program (LIHEAP) that provides heating assistance payments to eligible low-income households.

AFFECTED AGENCIES

Department of Human Rights, Division of Community Action Agencies

CODE AUTHORITY

Section 216A.101, Code of Iowa
Section 216A.103, Code of Iowa
45 Code of Federal Regulations 74, 92, 96

BACKGROUND

The Low-Income Home Energy Assistance Program (LIHEAP) is a federally funded block grant that was originally established in 1981 and has been reauthorized several times in the last 20 years.

The Program is designed to assist eligible low-income households in the payment of a portion of their residential winter heating costs, and to encourage energy conservation through client education and weatherization. Households applying for LIHEAP assistance simultaneously make application for weatherization assistance.

In addition to regular LIHEAP assistance payments and weatherization, the Program has two additional components, including Assessment and Resolution and the Emergency Crisis Intervention Program (ECIP).

Activities covered under the Assessment and Resolution component may include delivering client energy conservation education, referral to outside services, family needs assessment, household energy use planning, and low-cost energy efficiency measures.

The Emergency Crisis Intervention component of the LIHEAP provides immediate assistance to alleviate life-threatening situations. These funds may be used for emergency fuel delivery, repair or replacement of furnace or heating systems, temporary shelter, and the purchase of blankets and heaters.

At the State level, the Bureau of Energy Assistance within the Department of Human Rights, Division of Community Action Agencies, administers these funds. The Bureau contracts with 18 Community Action Agencies across the State for local program delivery. **Attachment A** provides a map of the Community Action Agencies by region.

In most cases, a single payment is made directly to the home energy supplier and appears as credit on the household energy bill for residences that heat with natural gas, electricity, liquid propane, fuel oil, wood, and coal. The payment is applied to the cost of a household's non-business, residential primary fuel heating source. The credit remains on the account until it is expended or the account is terminated.

FEDERAL GUIDELINES

Federal guidelines limit eligibility to households with incomes up to 150.0% of the federal poverty income guidelines, or, if higher, 60.0% of the State median income. No household with income below 110.0% of the poverty guidelines may be excluded based solely on income. Within these limits, grantees decide what income limits to use, whether to impose other eligibility requirements, and may grant priority to those with the greatest need or cost burden. Grantees decide the mix and dollar range of benefits, and choose how benefits are distributed. The receipt of LIHEAP assistance does not reduce eligibility or benefits under other aid programs.

Grantees are required to treat owners and renters in an equitable manner, to adjust benefits according to household income and home energy costs, and to have a system of "emergency crisis intervention" assistance for those in immediate need. As a result, the Bureau of Energy Assistance within the Department of Human Rights, Division of Community Action Agencies, allocates 5.0% of program funds for the Emergency Crisis Intervention Program.

Federal guidelines allow states to spend no more than 10.0% of grant funds for administrative purposes and up to 10.0% may be carried forward for use in the succeeding federal fiscal year. In addition, states may elect to provide low-cost residential weatherization and other cost-effective, energy-related home repair, and 15.0 to 25.0% of grant funds may be used for this purpose.

Beyond these requirements, states decide what percentages of funds are allocated to each program component and what agencies will administer them. In some cases, state legislatures mandate component expenditures. In the past, the Iowa General Assembly has mandated component expenditures for residential weatherization at 15.0% and assessment and resolution activities at 5.0% of the total regular funds received.

CLIENT ELIGIBILITY GUIDELINES

In Iowa, LIHEAP benefits are awarded on a first-come, first-served basis and are based on household income and size, type of heating fuel required, and specific target factors that assure the most vulnerable households, including those with elderly, disabled, or young children receive the highest level of assistance.

Residents of public assisted housing units that are not vulnerable to rising heating costs are not eligible. Eligible households that pay an undesignated portion of rent towards energy costs receive a payment that is sent directly to the household.

For FY 2002, applications for LIHEAP benefits will be accepted from November 1, 2001, to April 15, 2002, and may be obtained from the local Community Action Agencies. The one-page application

requires a copy of the most recent heating and electric bill, and proof of the household's gross income for the preceding 90 days or for the past calendar year. A household applying for a LIHEAP benefit reports the total gross income for all persons living in the residence that are 18 years of age and older.

The total household income for applicants must be at or below 150.0% of the 2001 federal poverty guidelines. **Table 1** provides the 2001 federal poverty guidelines that are used to determine eligibility for a LIHEAP benefit:

Table 1
Federal Poverty Guidelines - FY 2001

Size of Household	Three Month Gross Income	Annual Gross Income
1	\$3,221	\$12,885
2	\$4,354	\$17,415
3	\$5,486	\$21,945
4	\$6,619	\$26,475

For each additional member add \$1,132.50 per \$4,530 of income.

FUNDING

States receive a percentage share of the annual federal LIHEAP appropriation. If the annual federal appropriation is below \$1.975 billion, which has been the case for regular LIHEAP funds since FY 1987, states receive the same percentage share they received in FY 1984. The formula on which the FY 1984 percentage shares were determined took into account data available at that time pertaining to heating degree days squared, home heating expenditures, total residential energy expenditures, number of low-income households, and other factors.

In the event the annual appropriation exceeds \$1.975 billion, a different formula for calculating states' percentage shares would go into effect. Under either scenario, annual federal grants can be supplemented with:

- Funds from "oil price overcharge" settlements.
- State and local funds and special agreements with energy providers.
- Money carried over from the previous fiscal year.
- Transfer funds from other federal block grants.
- Grants under an incentive program for grantees that successfully "leverage" non-federal resources.

FY 2002 – On December 20, 2001, Congress passed the Labor Health and Human Services appropriations bill that includes funding for the LIHEAP, and was signed by the President. Congress approved a total of \$2.0 billion, of which \$300.0 million will be placed in an emergency contingency fund. In addition, Congress authorized \$300.0 million in emergency contingency funds in June 2001 that have not been released to date. Given these estimates, the total amount of federal LIHEAP funding available to all states may total \$1.7 billion in regular funds and \$600.0 million in emergency contingency funds.

Iowa's estimated allocation of these funds would be \$31.6 million in regular funds. Emergency contingency funds are released at the sole discretion of the President's Administration. The Administration decides which states receive emergency contingency funds and how much will be received. If all \$600.0 million in emergency contingency funds are released to all states using the normal allocation methodology, Iowa may receive an additional \$11.1 million, bringing the total funding for the LIHEAP to \$42.7 million.

Since Congress has not approved funding levels, the Bureau of Energy Assistance is estimating FY 2002 household benefits based on the estimated regular funding allocation of \$25.5 million as provided in Senate File 525 (FY 2002 Block Grant and Federal Funds Appropriations Act). **Table 2** summarizes the allocations and disbursements of federal LIHEAP funds as provided for in Senate File 525.

Table 2
Projected LIHEAP Funds and Expenditures - FY 2002

Estimated LIHEAP Funds	\$ 25,541,963
Allocations & Disbursements	
Residential Weatherization	3,448,165
Weatherization Administration	383,129
Local Administration (CAAs)	2,373,921
State Administration	290,000
Assessment & Resolution Activities	1,277,098 *
Emergency Crisis Intervention Program	1,277,098
Carry Over Allowed	2,554,196 **
LIHEAP Payments	13,938,356 ***
Total	<u>\$ 25,541,963</u>
Source: Department of Human Rights, Division of Community Action Agencies	
* The Bureau plans to spend \$715,000.	
** The Bureau does not plan to carry over any funds.	
*** The amount of LIHEAP funding will increase to \$17,054,650, if funds are not carried over and assessment and resolution activities are capped at \$715,000.	

FY 2001 - The total amount of LIHEAP funding provided in FY 2001 was \$51.1 million. This included \$25.5 million in regular federal LIHEAP funds, \$16.7 million in federal supplemental emergency funds, \$2.3 million in carry over funds, and \$6.5 million in other State funds. **Table 3** summarizes the allocations and disbursements of LIHEAP funds for FY 2001.

Table 3
LIHEAP Funds and Expenditures - FY 2001

Total LIHEAP Funds	\$51,057,075
Allocations & Disbursements	
Residential Weatherization	2,305,113 *
Weatherization Administration	256,124
Local Administration (CAAs)**	2,311,902 **
State Administration	290,000
Assessment & Resolution Activities***	706,215 ***
Emergency Crisis Intervention Program	1,250,369
Carry Over	0
Data Expansion	14,130
LIHEAP Payments	43,923,222
Total	<u>\$51,057,075</u>
Source: Iowa Department of Human Rights, Division of Community Action Agencies	
* SF 65 capped weatherization at \$3.3 million.	
** SF 65 capped state and local at administration at \$2.7 million.	
*** SF 65 capped these activities at \$715,000.	

In FY 2000, LIHEAP benefits were distributed to 62,005 Iowa households, with an average benefit of \$204. In FY 2001, LIHEAP benefits were distributed to 83,728 households, with an average benefit of \$525. The Bureau of Energy Assistance reports that during FY 2001 an additional 1,800 households applied for and were eligible to receive assistance but did not due to a shortage of funds.

During the 2001 Legislative Session, the General Assembly also passed House File 1 (Utility Tax Suspension Act), which suspended the State's 5.0% sales tax on natural gas, propane, and heating oil for two months beginning in February 2001. The Act also phases out the tax on those energy sources, plus electricity over a period of five years beginning in January 2002. These two measures apply to all residents, regardless of income. In addition, the Iowa Utilities Board extended the State's moratorium period for disconnections by emergency rule from April 1, to May 1, 2001.

Table 4 summarizes how the LIHEAP funding was distributed to the 18 Community Action Agencies for heating assistance for FY 2001.

Table 4
LIHEAP Funding Distribution by Community Action Agency - FY 2001

<u>Community Action Agency</u>	<u>Households Assisted</u>	<u>Total LIHEAP Payments</u>	<u>Average Payment</u>
Community Opportunities	3,776	\$ 2,065,046	\$ 547
Hawkeye Area Community Action Program (HACAP)	5,827	3,028,560	520
Iowa East Central T.R.A.I.N.	7,377	3,847,005	521
MATURA Action Corporation	2,285	1,223,136	535
Mid-Iowa Community Action, Inc.	3,789	1,903,102	502
Mid-Sioux Opportunity, Inc.	2,475	1,269,183	513
City of Des Moines/Community Development Dept.	6,561	3,311,615	505
North Iowa Community Action Organization	4,816	2,446,300	508
Northeast Iowa Community Action Corp.	4,381	2,210,323	505
Operation: New View Community Action Agency	4,326	2,278,254	527
Operation: Threshold	5,370	3,000,004	559
Red Rock Area Community Action Program, Inc.	4,316	2,252,573	522
South Central Iowa Community Action Program, Inc.	2,644	1,390,857	526
Southeast Iowa Community Action Organization	4,631	2,390,884	516
Southern Iowa Economic Development Association	4,898	2,548,119	520
Upper Des Moines Opportunity, Inc.	6,495	3,463,582	533
West Central Development Corporation	6,711	3,673,970	547
Woodbury County Community Action Agency	3,050	1,620,709	531
Total	83,728	\$ 43,923,222	525

Source: Department of Human Rights, Division of Community Action Agencies

OTHER STATES - 2001 NEW STATE LIHEAP FUNDING

Other states provided various forms of new state funding for the LIHEAP in FY 2001. A list of these can be obtained from the LFB upon request.

WEATHERIZATION ASSISTANCE PROGRAM

In the Department of Human Rights, Division of Community Action Agencies, the Bureau of Weatherization administers the federal Low-Income Weatherization Assistance Program (WAP). The Program is designed to reduce the burden of energy costs to low-income and fixed-income persons, particularly the elderly, disabled, and families with children, by improving the energy efficiency of homes and ensuring health and safety.

In addition to partnering with and receiving funding from the LIHEAP, the Bureau of Weatherization administers a federal grant from the Department of Energy, Oil Overcharge funds, and funds from investor-owned utility companies, which are used to supplement federal funds. **Table 5** provides a summary of the funding sources for the Weatherization Assistance Program.

Table 5
Weatherization Assistance Program Funds

<u>Funding Source</u>	<u>Period Covered</u>	<u>Funding Total</u>	<u>Administration Amount</u>	<u>Administration Percentage</u>
LIHEAP	4/01 - 4/02	\$2,561,237	\$256,124	10.0%
Dept. of Energy	4/01 - 4/02	3,359,006	359,414	10.7%
Oil Overcharge	7/01 - 4/02	250,000	0	0.0%
Investor Owned Utilities	1/01 - 1/02	2,247,970	112,399	5.0%
Total		<u>\$8,418,213</u>	<u>\$727,937</u>	8.6% *

Source: Iowa Department of Human Rights, Division of Community Action Agencies
 * State Weatherization Administration = 3.6% & Subgrantee Administration = 5.0%

Since the Program Year is not over, statistics are not available for Program Year 2001; however, there were 1,885 homes weatherized in Program Year 2000. The average savings for homes weatherized in Program Year 2000 was \$243, with a range in sub-grantee savings of \$190 - \$450. This variance in savings is due to a number of factors, including the quality of housing stock, the incidence of existing wall and attic insulation, and the variance in fuel costs in different areas of the State.

CURRENT SITUATION

The increase in the number of clients needing assistance from the LIHEAP during the 2000-2001 winter season occurred due to a combination of factors including an increase in fuel prices and a return to a more typical, colder Iowa winter. Estimates for the level of funds needed for the LIHEAP for FY 2002 are difficult to project at this time due to several unknown variables, including weather, fuel costs, client participation levels, and the undetermined level of federal funding that will be available.

Current predictions are that this winter will be similar to last winter, perhaps a bit milder. Energy companies have increased natural-gas reserves, which were low last year and caused energy prices to increase, and at this time, the cost of natural gas is significantly lower. MidAmerican Energy Company estimates that total bill costs for residential customers may be reduced by as much as 45.0% compared to last winter, while Alliant Energy Corporation estimates that residential heating bills could be reduced by as much as 30.0% to 50.0%.

Table 6 below provides a residential rate comparison for MidAmerican Energy Company's actual natural gas heating costs for FY 2001 to estimated costs for FY 2002. The number of heating units used by a residence is referred to as Therms and the Actual Gas Cost Column list the amount paid per therm. The Total Cost column provides the actual cost for heating fuel and the Total Bill column includes the heating fuel cost plus other regulated costs.

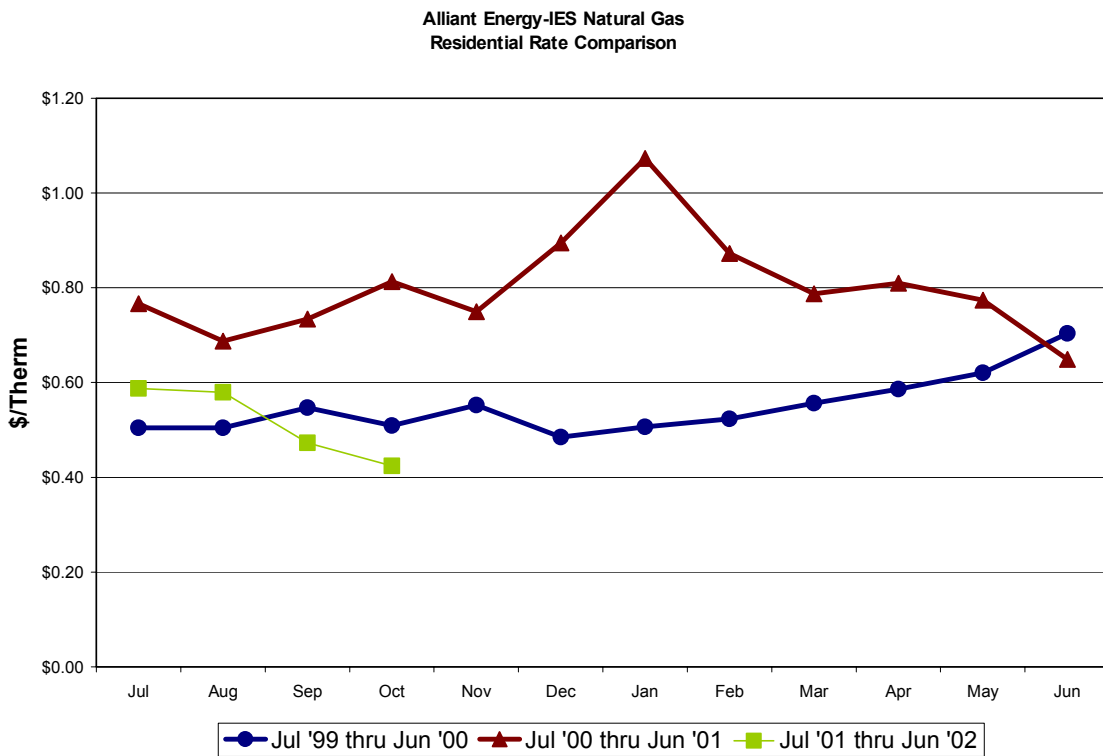
Table 6

MidAmerican Energy Company
Small Volume Residential Customer

Date	Actual FY 2001				Estimated FY 2002				Total Cost Difference
	Actual Therms	Actual Gas Cost	Total Cost*	Total Bill	Last Yr's Therms	Estimated Gas Cost	Total Cost*	Total Bill	
Nov-00	63	0.56	\$ 35.40	\$ 54.87	63	0.38	\$ 23.69	\$ 43.16	\$ -11.71
Dec-00	142	0.65	92.74	125.33	142	0.39	55.06	87.65	-37.68
Jan-01	219	1.05	230.32	275.70	219	0.32	70.86	116.24	-159.46
Feb-01	169	0.79	134.06	171.14	169	0.32	54.46	91.54	-79.60
Mar-01	154	0.76	117.10	151.68	154	0.32	49.91	84.49	-67.19
Total	747		\$ 609.62	\$ 778.72	747		\$ 253.98	\$ 423.08	\$ -355.64

* The sum of the numbers may not add due to rounding.

The chart below provides a residential rate comparison of natural gas costs per therm for the Alliant Energy Corporation for FY 2000 and FY 2001. The cost per therm for the first four months of FY 2002 is also provided.



With estimated projections for a reduction in heating costs during the 2001-2002 winter heating season, the Bureau of Energy Assistance indicates that because heating bills increased two to three times last year over 1999-2000 heating costs, a 50.0% reduction will still represent a significant burden for many low-income consumers. In addition, some clients are still in the process of paying off heating bills from last winter. The Bureau expects local Community Action Agencies to have as many applicants for LIHEAP funds as last year and perhaps more due to the current

economic situation. As a result, FY 2002 projections for LIHEAP assistance include at least 84,000 eligible households applying for benefits.

GOVERNOR'S ENERGY POLICY TASK FORCE

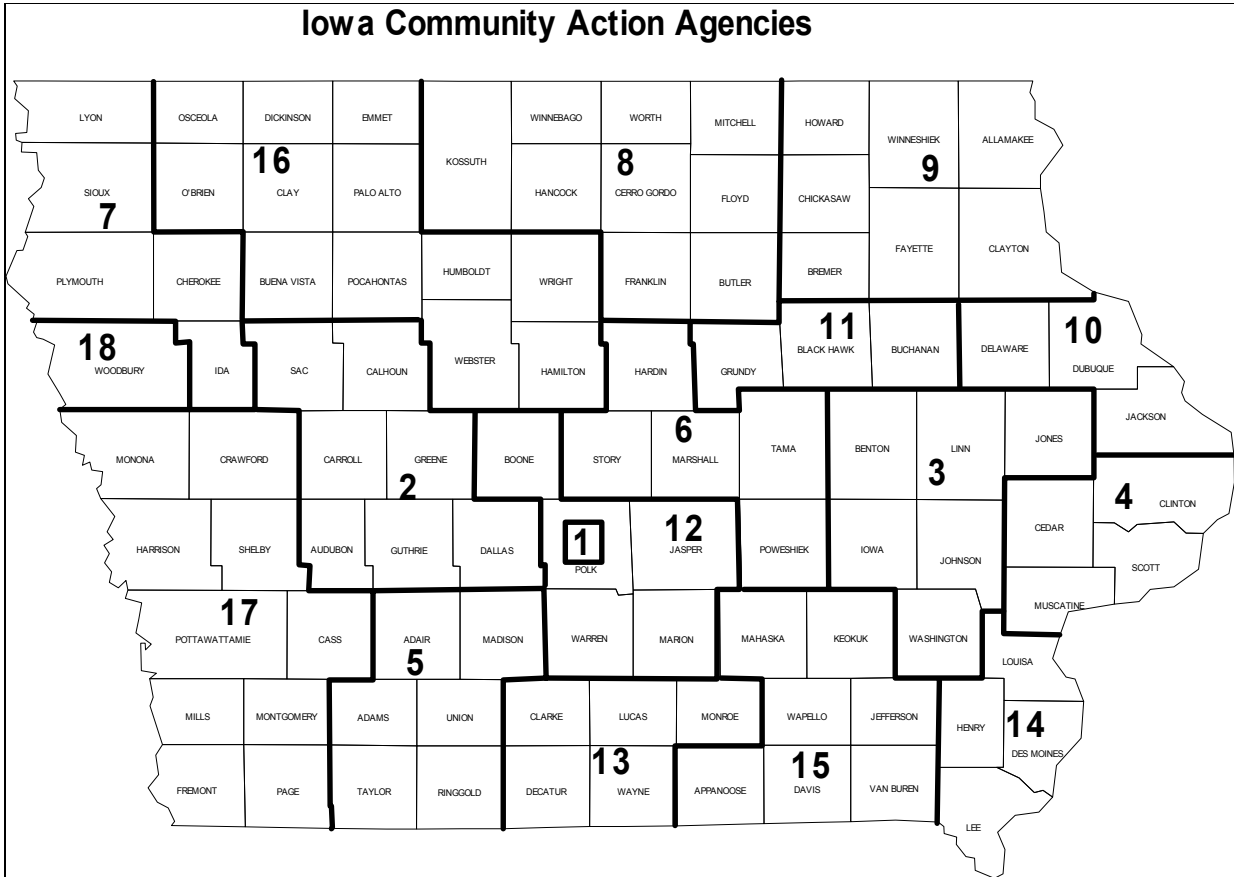
In fall 2000, the Governor appointed a Statewide task force of Iowa leaders, citizens, and business owners to study Iowa's energy consumption, supplies, and efficiency. The task force was charged with three major goals:

- Ensure Iowa has an adequate supply of energy in the short and long term.
- Provide Iowans with affordable energy in the short and long term.
- Ensure Iowa is maximizing energy efficiency and production of renewable energy.

The task force has proposed the following recommendations to provide energy assistance to low-income Iowans:

- **Public Benefit Fund** - Establish a Public Benefit Fund to achieve the goal of reducing total energy burdens for low-income Iowans to 8.0% of total household income. Possibilities for funding include flat fees (by category or type of customer, i.e. residential, commercial, and industrial) collected from all natural gas, electric and deliverable fuel customers through the billing process; or an allocation from the State General Fund. Customers of Investor-Owned and Consumer-Owned utilities would be included. The level of funding would be determined by completing an annual needs assessment, conducted by the Department of Human Rights. The federal appropriation for the LIHEAP and Weatherization would be subtracted from the total funding needed for the public benefits fund.
- **Disconnect Protection** - Establish moratorium and disconnection protection from November 1 through March 31 for any residential household at or below 185.0% of federal poverty guidelines. The local energy assistance provider or utility company may conduct verification of income. Customers are automatically eligible for protection against disconnection if they receive any form of public assistance that uses income eligibility at or below the 185.0% guidelines. Currently, the LIHEAP eligibility guideline is at 150.0%, but the Program could at some point opt for the highest standard allowable. Additionally, only those households eligible for the LIHEAP are now protected. This new provision would protect 65.0% or more of eligible households that do not apply to the LIHEAP, but may be receiving other public assistance.
- **Voluntary Fund** - Expand and enhance the Statewide Customer Contribution Fund that collects voluntary donations to assist those in need. A repetitive Statewide marketing campaign could be implemented to raise awareness of the needs and provide more opportunity to assist through tax-deductible contributions. Minimum and uniform guidelines could be established and used for the distribution of funds to those eligible for other low-income assistance programs.

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<http://staffweb.legis.state.ia.us/lfb/IRVIEW/irview.htm>
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1. City of Des Moines/Community Development Department
2. Community Opportunities, Inc.
3. Hawkeye Area Community Action Program
4. Iowa East Central T.R.A.I.N.
5. MATURA Action Corporation
6. Mid-Iowa Community Action, Inc.
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10. Operation: New View Community Action Agency
11. Operation Threshold
12. Red Rock Area Community Action Program
13. South Central Iowa Community Action Program, Inc.
14. Southeast Iowa Community Action Organization
15. Southern Iowa Economic Development Association
16. Upper Des Moines Opportunity, Inc.
17. West Central Development Corporation
18. Woodbury County Community Action Agency