

**CLIMBING COSTS OF HEATING HOMES: WHY
LIHEAP IS ESSENTIAL**

HEARING
BEFORE THE
SUBCOMMITTEE ON CHILDREN AND FAMILIES
OF THE
COMMITTEE ON HEALTH, EDUCATION,
LABOR, AND PENSIONS
UNITED STATES SENATE
ONE HUNDRED TENTH CONGRESS

SECOND SESSION

ON

EXAMINING THE RISING COSTS OF HEATING HOMES, FOCUSING ON
THE LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

MARCH 5, 2008

Printed for the use of the Committee on Health, Education, Labor, and Pensions



Available via the World Wide Web: <http://www.gpoaccess.gov/congress/senate>

U.S. GOVERNMENT PRINTING OFFICE

41-236 PDF

WASHINGTON : 2009

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2250 Mail: Stop SSOP, Washington, DC 20402-0001

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

EDWARD M. KENNEDY, Massachusetts, *Chairman*

CHRISTOPHER J. DODD, Connecticut

TOM HARKIN, Iowa

BARBARA A. MIKULSKI, Maryland

JEFF BINGAMAN, New Mexico

PATTY MURRAY, Washington

JACK REED, Rhode Island

HILLARY RODHAM CLINTON, New York

BARACK OBAMA, Illinois

BERNARD SANDERS (I), Vermont

SHERROD BROWN, Ohio

MICHAEL B. ENZI, Wyoming,

JUDD GREGG, New Hampshire

LAMAR ALEXANDER, Tennessee

RICHARD BURR, North Carolina

JOHNNY ISAKSON, Georgia

LISA MURKOWSKI, Alaska

ORRIN G. HATCH, Utah

PAT ROBERTS, Kansas

WAYNE ALLARD, Colorado

TOM COBURN, M.D., Oklahoma

J. MICHAEL MYERS, *Staff Director and Chief Counsel*

ILYSE SCHUMAN, *Minority Staff Director*

(II)

C O N T E N T S

STATEMENTS

WEDNESDAY, MARCH 5, 2008

	Page
Dodd, Hon. Christopher J., Chairman, Subcommittee on Children and Families, opening statement	1
Kennedy, Hon. Edward M., Chairman, Committee on Health, Education, Labor, and Pensions	3
Murkowski, Hon. Lisa, a U.S. Senator from the State of Alaska	4
Prepared statement	6
Reed, Hon. Jack, a U.S. Senator from the State of Rhode Island	8
Power, Meg, Ph.D., Senior Advisor, National Community Action Foundation, Washington, DC	10
Prepared statement	12
Frank, Deborah A., M.D., Professor of Pediatrics, Boston University School of Medicine, Director of Grow Team for Children, Boston Medical Center, Boston, MA	20
Prepared statement	22
Hussain, Robin, Resident, Hartford, CT	25
Prepared statement	27
Surber, Regina, Director, Community Programs, Department of Human Services, Nashville, TN	28
Prepared statement	30

ADDITIONAL MATERIAL

Statements, articles, publications, letters, etc.:	
Petroleum Marketers Association of America (PMAA), The New England Fuel Institute (NEFI), and the Independent Connecticut Petroleum Association (ICPA)	46
National Energy Assistance Directors' Association	48

(III)

CLIMBING COSTS OF HEATING HOMES: WHY LIHEAP IS ESSENTIAL

WEDNESDAY, MARCH 5, 2008

U.S. SENATE,
SUBCOMMITTEE ON CHILDREN AND FAMILIES,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:21 a.m. in room SD-430, Dirksen Senate Office Building, Hon. Christopher J. Dodd, chairman of the subcommittee, presiding.

Present: Senator Dodd, Kennedy, Murkowski, and Reed.

OPENING STATEMENT OF SENATOR DODD

Senator DODD. What I will do here this morning with everyone's permission, if I may, is I will make a quick opening statement myself on this issue, and the Chairman of the committee, Senator Kennedy, is here to make some comments this morning. I know he can't stay as long as he would like because of other obligations.

Then I will ask, obviously, Senator Murkowski as well for any comments that she may have. Senator Reed has long been involved in the subject matter of low-income energy assistance.

Then we will get right to our witnesses, and I am grateful to all of them for being here and those of you in the audience. I would like to thank everyone for coming together this morning to consider the Low Income Home Energy Assistance Program (LIHEAP). For 27 years, since 1981, LIHEAP has helped millions and millions of Americans pay their heating bills and keep their families warm or cool, as the circumstances require.

I would like to welcome and thank all of our witnesses, who will provide testimony here this morning. Many of them will explain the critical importance of LIHEAP to American families and how many more Americans could be assisted if we, in Congress, would expand LIHEAP's reach and increase the program's funding.

For almost 30 years now, LIHEAP has kept thousands of Americans from having to make the impossible and very difficult choices between heating their homes, feeding their families, providing for their medical needs. It has made the difference between having money to pay for a mortgage rather than facing foreclosure in the spring. It has allowed senior citizens to afford to heat or cool their homes without sacrificing other necessities, such as prescription drugs.

Clearly, LIHEAP is about much more than heat or cooling. We will hear from our witnesses it is intertwined with many other as-

pects of a family or an individual's life. LIHEAP is not just a heating and cooling program. It is a home ownership program, a nutrition program, certainly a health program.

A family that struggles to pay its energy bill may be forced to turn off heat, to cut back on purchasing nutritious food, or go without the necessary medications. A child who can't sleep from hunger or cold can't pay attention in class in the morning. He will be more prone to illness, putting further pressure on schools and our healthcare system.

This year, more and more families are faced with those dilemmas. This all becomes quite obvious if anyone has paid any attention to the news in the last few weeks. The slowing of our economy has brought higher unemployment. In my own State of Connecticut, unemployment has risen 24 percent over the last year. As families all over are losing income, rising fuel prices are stretching their energy budgets like never before, certainly in recent memory.

Just this past week, we saw the price of crude oil reach well over \$100 a barrel. By the way, last evening I heard some energy experts talking about it. They were saying it is no exaggeration to think that the price of a barrel may exceed \$200 before very long at all. That these numbers are going up radically, the demand is increasing. Of course, you saw the President calling upon OPEC nations to increase more supply without any success at all.

This is just the beginning of a problem that is going to grow worse in many ways. An increase, by the way, to \$100 a barrel is an increase of 73 percent just from last year alone. Heating fuel prices have risen dramatically. The U.S. Energy Information Agency estimates that this year it will cost \$1,962 to heat a home with oil. That is a 33 percent increase from last year and 117 percent increase since 2004.

The cost of heating a home with natural gas has gone up 30 percent since 2004, and the cost of heating with propane, which heats homes in many rural areas across our Nation, has increased 23 percent in the last year and 73 percent since 2004.

As a result of these drastically rising costs, heating assistance that made a real difference for families just a few years ago is obviously no longer doing the job. Our LIHEAP dollars are being stretched way beyond their capacity. Again, in my home State, Connecticut offers, I think, a good example of what is going on. In 2008, nearly twice as many households as last year ran out of their basic LIHEAP benefits by January 14. January 14 in a State where nights can stay freezing well into March or even April.

When basic benefits run out, crisis assistance kicks in. Many families exhaust that as well, leaving them with virtually nothing at all. In 2007, that was true of 211 families in my State. In 2008, how many families did this happen to? Just to give you an idea, 2,981. In 1 year, from 211 families to 2,981.

As both the price of oil and the number of families in need has risen, the funding we need to help them has remained basically flat for a quarter of a century now. That means we have been forced to pick and choose who can stay warm through the winter, who will spend it shivering. Six out of ten eligible families get nothing at all. Thankfully, emergency LIHEAP funding was released in January

and again 2 weeks ago. Still, it is not nearly enough to cover the projected shortfalls.

Families are counting on LIHEAP, and they are counting on us to fight to fund it fully, if we can. Six out of seven families are making do without heat at all. Six out of seven families are being forced into impossible choices, as I mentioned earlier, between warmth, food, and medicine. This is six families too many.

Before I close, I would briefly like—wait, I will come back to this. I was going to introduce our witnesses, but let me do that after we have heard from the other members of the committee here. With that, let me turn to Senator Kennedy just for an opening quick comment?

The CHAIRMAN. Lisa.

Senator MURKOWSKI. No, Mr. Chairman.

OPENING STATEMENT OF SENATOR KENNEDY

Senator KENNEDY. Thank you very much, Senator Dodd and Senator Murkowski, Senator Reed. Thank you very much for having this hearing and for your continued very important and good work in fighting for the increase in LIHEAP funding.

It has been a bipartisan effort. I thank Senator Murkowski, Senators Snowe and Collins. Bernie Sanders has been very involved. Jack Reed has been fighting for this for years, and Senator Dodd has been one of our true leaders, and I thank you for doing this.

I want to express appreciation to a wonderful panel of witnesses. They just are people that will tell it as it is, and we are very, very lucky to have you. Particularly glad Dr. Frank, who will talk about the impact of the lack of heat on children and children's development, children's health, which the Chairman has mentioned, but is really enormously important.

It seems to me that the LIHEAP recipients are in the middle of a perfect storm, a perfect storm. The explosion of costs for oil this winter has been something which has been just so dramatic and so out of step with people on fixed incomes. We will hear about that. The pressure is on so many of these families that have lost jobs, and the fact as the Chairman knows all so well, the whole dramatic impact of the housing and mortgage crisis, where people are in real danger if they can't pay the mortgage.

We are used to hearing a choice between food on the table, prescription drugs for the parents, and heating oil. Now we have the additional kind of burden, and that is whether they can afford to pay their mortgages, and it is all affecting and hitting a very special group of people. It is a definable group, and they are our neighbors and our fellow citizens, and we know what needs to be done.

It used to be that in Massachusetts, generally, it is about four tanks—you can correct me, Dr. Frank—about four tanks last a wintertime. If you received, you would get—only about 40 percent of those who are eligible receive it. In Massachusetts, we are somewhat higher than the national average. You maybe get one tank of that, maybe a tank and a half. Not even—it is less than that? Well, you are going to straighten us out on it.

This is just an incredibly challenging, and you are going to tell us about how long that tank is going to last, depending on your

house and depending on the family, number of children that are in it.

We had a wonderful testimony, Ms. Margaret Gilliam from Dorchester, who is looking after two children and the challenges that she faces. I think that this is just that we know what needs to be done, we know how to do it, and the real question is whether we have the will to do so. I want to thank Senator Dodd and others who are really leading this battle to help us to make sure that we are going to get the job done.

Final point, it is interesting that if that family is driven out of their home, the cost in Massachusetts for a homeless family is \$32,000 per year for a family of four. We are talking about a tank of fuel oil to keep the family together in their home or the risk that that family is going to be driven out their home and all the additional kinds of costs that are going to be out there.

This is a no-brainer, and we just want to thank you for highlighting this challenge. We want to say that we will work closely with you in every possible way to see if we can't provide some relief for these needy families.

I thank the Chair.

Senator DODD. Senator, thanks so much. Again, sometimes I feel like I am stating the obvious to all gathered here. You mentioned Jack and Senator Murkowski and others involved, but none of this would have ever happened over the years without Senator Kennedy. That just doesn't happen. We are very grateful to you for years of commitment to this issue.

This has been a subject matter that has enjoyed some good bipartisan support over the years. For those of us who live with it every year in our States, we understand how critically important this is.

With that, let me turn to Senator Murkowski.

STATEMENT OF SENATOR MURKOWSKI

Senator MURKOWSKI. Well, thank you, Mr. Chairman, Senator Dodd. The good news for us in Alaska is it is starting to warm up, but it has been a very tough, tough winter back home.

You mention, Senator Dodd, the energy information statistics. I was at an Energy Committee hearing yesterday, where EIA presented their annual report, if you will, an analysis of oil on the market and what was happening with energy prices. Yesterday in the hearing, they predicted that heating oil prices are likely to rise marginally higher before slowly falling to 2016, and then we are going to see oil rising again, reaching a nominal value of \$113 per barrel in 2030 for oil.

Electricity also is expected to continue to rise, peaking at 9.3 cents per kilowatt hour in 2009, another nearly 15 percent increase before we see a little bit of a slowing. They also stated at yesterday's hearing, as they stated at the start of this winter, that energy costs were going to cost the average household between 8 to 39 percent more to heat and cool their homes this year.

The news is not good in terms of indicators and where we are going with our high energy costs. You have, Senator Kennedy, mentioned how long a tank of home heating fuel will last the average family. We know that the LIHEAP aid is currently providing on average about \$314 to the typical home. At that current price,

it is enough for about a single tank of oil, enough to last a family maybe a couple weeks to a month, depending on climate and temperature.

You know, in the State of Alaska, where your winters last longer, or Connecticut or Rhode Island, where your winters last longer, that means that you have got a lot of time on either end of that tank of fuel where you are on your own.

I mentioned the temperatures in Alaska. I was up in a community a couple of weeks ago. The week that I was there it was blissfully warm. It was about 40 degrees. The week prior to that, it was 60 below zero. They had a 100-degree swing in temperature. This is where we live. What we are facing in our communities, in Arctic Village, for example, the cost of heating oil last month was \$6.36 a gallon. We see about \$5 a gallon in most of our other remote villages.

What we are seeing in terms of a percentage of income to Alaskan families—on average through the communities on the road systems—Alaskans are paying about 33 percent of their income on energy costs. Those are the communities that are on the road system. You get out into our isolated rural communities, where you are not connected by road, 62 percent of the income of a family is going toward energy costs.

Now you couple this with the fact that the only way to get to these places is to fly. If you have a medical issue that requires you to come to town, come to one of the cities, you have spent all of your income for the year between energy and transportation costs. This is a huge, huge issue for us. We know that it is critical to the health of families to make sure that you are able to be warm in the winter. It is not all about us in the north. It is also vital to be cool in the summertime.

I know that we will hear testimony this morning that when 62 percent or 33 percent of your income is going toward energy, where do you make up the difference? It is in the prescription drugs. It is in the food. It is in all of those other things that we, as families, face on a daily basis.

Mr. Chairman, I don't want to take up too much of the committee's time with opening statements other than to recognize that we need to do more when it comes to the issue of LIHEAP, whether it is through increases to the funding amounts. I know, Dr. Power, you are going to speak to some of the proposals that might be out there for program changes. I look forward to hearing that testimony.

It is something that so many have worked diligently on, but the recognition is that the need for energy assistance is as critical to America's families as assistance for welfare or food stamps or Medicaid because this is part of what allows us to be healthy.

I look forward to working with the other members of the committee. I do have a longer statement that I would like to submit to the record.

Senator DODD. Absolutely.

[The prepared statement of Senator Murkowski follows:]

PREPARED STATEMENT OF SENATOR MURKOWSKI

Thank you Mr. Chairman for holding this subcommittee hearing as we begin the process of considering a reauthorization of the Low Income Home Energy Assistance Program—LIHEAP. I also would like to thank Ranking Member, Senator Alexander for all his work on LIHEAP.

It is slightly difficult to separate the two immediate issues involving LIHEAP from each other: No. 1, not having enough money allocated to the program at present to help it deal with the record-high home heating oil costs that poor and even middle-income households are paying this winter, not counting what they are facing next winter; and the high electricity air conditioning costs households likely will be facing come summer; and No. 2, how to make changes in the program to help it work better and more adequately meet the needs of Americans for energy assistance, assuming it is ever “fully” funded.

Just yesterday the Energy Information Administration predicted that heating oil prices are likely to rise marginally higher before beginning a slow fall to 2016 before oil prices again start to rise, reaching a nominal value of \$113 per barrel in 2030 for oil. Electricity also is expected to continue to rise, peaking at 9.3 cents per kilowatt hour in 2009, another nearly 15 percent increase, before electricity slowly declines to 2016 before rising again in real terms until 2030.

EIA at the start of this winter predicted that energy costs were going to cost the average household 8 to 39 percent more to heat and cool their homes this year. Already 34 million households in America qualify to gain LIHEAP aid—having incomes of less than 150 percent of the Federal poverty level. Unfortunately, there is adequate funding so that only 16 percent of those households currently receive any aid and those households only receive on average about 17 percent of the \$1,864 a year average cost of heating and cooling a home.

LIHEAP currently is providing aid that averages \$314 to the typical home. That at current prices is enough for about a single tank of oil, enough to last a family for 2 weeks to a month, depending on climate and temperature. We are saying that for the other 4 months of winter, much longer in Alaska, that households are on their own.

Coming from a State like Alaska, that is a real problem. In Alaska, where the cost of heating oil last month was \$6.36 a *gallon* in Arctic Village and often near \$5 a gallon in many other remote villages, heating oil was dominating family’s budgets. According to a 2006 survey by the University of Alaska’s Institute of Social and Economic Research, home heating fuel/electricity was costing the average remote resident \$4,683 a year, compared to the national average this year of \$1,864. That means that where energy costs should cost the average household between 4 percent and 6 percent of their income, Alaskans are paying on average 33 percent of their income on energy costs, that figure reaching up to 62 percent of their income in remote communities.

While Alaska State government spends more on LIHEAP than many States—Alaska providing the average household a \$742 sub-

sity, compared to less than half that nationwide, it is far from enough to make energy costs affordable for many.

As the testimony today makes clear, being able to afford heat in winter and cooling in summer is much more than a simple convenience. Sufficient heat is vital for good health. Babies and toddlers and seniors especially need heat to allow for mental development and to ward off illness. Efforts to supplement heat from burning fire wood to using kerosene or electric space heaters increase the risks of health effects like asthma and increase the risks of carbon monoxide poisoning, fires and other accidents.

Scrimping on food and prescriptions to be able to afford to pay for heat and electricity can also harm children, hurt their development and learning potential and increase the chances for illness.

There is a good reason why LIHEAP was created 27 years ago. Unfortunately, there is not a good reason why we have allowed funding for the program to drop to such a relatively disastrous level.

Given recent record prices for oil and significant hikes for electricity, we need to find \$2 billion to \$3 billion more funds to reach a theoretical full funding level of \$5.1 billion for this year—depending on whether you start with the President's proposed spending for fiscal year 2009 of \$2 billion or start with actual spending, plus contingency funding that Congress adopted for fiscal year 2008.

This hearing is actually not about finding \$800 million to \$1 billion or more for fiscal year 2008, or building \$3.1 billion more of funds into a budget resolution for fiscal year 2009 and then finding the actual funds to pay for the authorization. This hearing is about how we should change the program during a reauthorization to make it work better for Americans.

I know, given the Alaska experience, we need to not only raise the funding to fully fund households with incomes under 150 percent of the poverty level, but likely raise that threshold higher. Increasingly households that used to be considered lower middle income are now in an energy affordability crunch. That is certainly the case in my State of Alaska.

We may also need to consider an expansion of the LIHEAP program so that it covers other types of energy costs that households have to pay. If you can't afford to get to work to earn a paycheck, then you won't be able to afford to keep your house warm or keep food on the table. Some more comprehensive, hopefully short-term expansion of LIHEAP, may be needed unless energy prices fall precipitously.

We also need to review all of the recommendations for program changes offered by our witnesses. I particularly appreciated the suggestions by Dr. Power in the National Community Action Foundation testimony.

What I know is that LIHEAP is a vital part of the Nation's safety net for low-income residents. It is as vital as welfare or food stamps or Medicaid, because it is hard to remain healthy, well nourished or able to work, if you are either so cold that you can barely function or so hot in summer that heat stroke is a constant danger.

LIHEAP needs to work well. It also needs to be adequately funded. Even if in this time of a budget shortage, we need to do better

by this program. I welcome the testimony we are about to receive on how we can make LIHEAP better fulfill its promise.

Thank you Mr. Chairman.

Senator MURKOWSKI. I would like to move forward with the testimony this morning.

Senator DODD. Thank you very, very much, Senator. Very eloquently said. Connecticut had their strong winters, I can't recall the last time we had 60 below anywhere.

Senator MURKOWSKI. Come on up.

Senator DODD. I know. It has been a while. I love it. It is a beautiful State.

Senator Reed, thank you very much.

STATEMENT OF SENATOR REED

Senator REED. Well, thank you, Chairman Dodd, and thank you, Senator Murkowski, for your excellent statement with respect to an issue that concerns us all.

I want to thank the witnesses because you will, both from an academic standpoint and also from a personal standpoint, illuminate this issue better than we can. Indulge me for a moment while I say a few words.

This program evolved after the price shocks of the 1970s, and it was a vital safety net for low-income Americans then, and it is a vital safety net today, who make tough choices. Senator Dodd, Senator Kennedy illustrated those tough choices—prescription drugs or food or mortgage payments—and the choices are more difficult today than they were in the last several years.

We are still in a situation where energy prices have a huge impact on the budgets of families throughout this country, and with the downturn of the economy, we are seeing the pressures become excruciating. Oil has jumped over \$100 a barrel. I never thought in my life, and I guess I am at the point in life where I say that a lot, that I would see a \$100 barrel of oil.

With stagnant wages and fixed incomes—that is the other phenomena we are seeing—these prices are beyond the absorption capacity of most families. They are being squeezed—tough, difficult circumstances. We have cold winters. Not as cold as Alaska, but we have cold winters. In the summertime, in the Southwest for the excruciating heat, people use LIHEAP just to stay alive because they don't suffer from—particularly seniors from being a heat casualty in the Southwest and the Southeast.

In fiscal year 2007, my home State of Rhode Island was able to serve about 29,000 households with LIHEAP. This is just a small fraction of those that qualified. LIHEAP provides a vital safety net to these households, but unfortunately, LIHEAP funding is not keeping pace with the demand. I was disappointed last month, and we couldn't in the stimulus package include additional funding for LIHEAP. We are going to try again.

LIHEAP needs this additional funding, and the President's budget request for Fiscal Year 2009 calls for a 22 percent cut to LIHEAP—not an increase, but a cut. Now, I don't know, but when oil is surging at over \$100 a barrel, driving up the prices of all en-

ergy products, how do you propose to cut a program, it does not even keep up with the price? That is just, to me, difficult to fathom.

The National Energy Assistance Directors Association reports that such a cut would force States to either cut grants or decrease the amount of families. That is just arithmetic. We have got to do better than that. We could actually face the loss of about 1.2 million households if these cuts go into effect nationwide, and that is a staggering number.

I think we should fully fund LIHEAP. That is \$5.1 billion, and I am disappointed about the proposed budget. I am prepared to offer amendments on the budget resolution to support full funding in 2009. The numbers are clear, but the story of LIHEAP is not about numbers. It is about people, people who are working hard and struggling mightily, and they need some assistance.

I am pleased particularly that Dr. Frank is going to talk about the impact to children. Senator Dodd and I have been conducting some clinical experiments over the last several years with the effect of many things on small children. Senator Murkowski also. She is a little ahead of us. We look forward to your testimony.

Thank you, Mr. Chairman.

Senator DODD. Thank you very much, Senator. Prior to that time, it was merely an intellectual exercise.

Senator REED. Policy, public policy.

Senator DODD. Now it has become a very personal exercise.

Well, again, thank our colleagues who are here and talking about this, and let me quickly introduce our witnesses.

Meg Power—Meg, we thank you for being here—is the senior advisor to the National Community Action Foundation and President of the Economic Opportunity Studies, and we thank you very, very much for your work.

Deborah Frank, Senator Kennedy has already introduced in a sense, a professor of pediatrics at Boston University Medical School, is the founder and a principal investigator of the Children's Centennial Nutritional Assessment Program. We are looking forward to your testimony. You have heard all of us address the issues of what happens to children in these areas.

Robin Hussain is from Hartford, CT, and will share her personal story about LIHEAP. We thank you very much, Robin, for coming down. I see sitting behind you some friends, who go back a long time. Edith, good to see you here with us as well, from community action programs in Connecticut.

And Regina Surber is the director of community services at the Tennessee Department of Human Services responsible for the administration of the LIHEAP program in her State, and we obviously want to hear from you in terms of how this is working and what it means in a State like Tennessee, a border State. We have talked about our northern-tier States, and obviously this is an issue that transcends just geography by low temperatures.

We thank all of you for coming. Let me ask, if I could, this morning if we could keep your opening statements to around 5 or 6 minutes. I won't bang the gavel down. As with all members here, even those who are not here, the record will remain open for comments they would like to make, any supporting documentation they think

would be helpful to the record, and that includes our witnesses here this morning.

Your full testimony and supporting information will be included in the record as we develop this case for additional funding.

With that, Dr. Power, let me begin with you, and we will move right down as I have introduced you, and then we will get to some questions.

Doctor.

STATEMENT OF MEG POWER, PH.D., SENIOR ADVISOR, NATIONAL COMMUNITY ACTION FOUNDATION, WASHINGTON, DC

Ms. POWER. Thank you, Mr. Chairman.

It is a pleasure and an honor to be here today to talk on behalf of the Nation's community action agencies. They manage about a third of the LIHEAP resources every year, and we believe they see the vast majority of LIHEAP applicants who come facing a crisis and need help quickly and need to have an interview and a personal interaction with a system to deliver this kind of help.

I am a little stumped because each of you has been far more eloquent than I ever could be in describing the problems that our testimony tries to quantify. I think it is important for us to note and remember that this committee is where the LIHEAP block grant was born in 1980 for the 1981 season. This is our home, our mother, if you will, and each of you who is here today, and Chairman Kennedy, and Chairman Alexander—former Chairman Alexander—were tremendous champions of moving legislation each of the times we have reauthorized. You have all been champions of supplemental funding last year and this year in the face of terrific political odds, and we are most grateful for the bipartisan, multi-regional support that this program has enjoyed and that you still have the energy to keep up the fight. Thank you for that.

The statistics cited on rising energy costs, particularly the oil prices, are very dramatic, and they are a little mind-numbing. The daily news is a macro kind of a number, and we are going to try to bring those down to the family level for you just so you have a few more numeric weapons in your arsenal advocating for LIHEAP, as all of you do.

As you said, several of you said, Senator Reed was just saying how oil prices have topped a historic mark. Eighteen years ago was supposed to be the real dollar high water mark for oil prices. Well, they have gone past that. The less-trumpeted drama this year, although in 2006 it was headlines, is the steady upward march of natural gas prices, and natural gas is the fuel most households use.

A very little-noticed problem is that liquid propane gas follows fuel oil prices, and liquid propane gas is not used much in the Northeast, but it is a very common fuel in low-income housing and in mobile homes throughout the Midwest and the South. Those prices are essentially on the same trajectory as fuel oil. It is a little harder because you have to get a tank-full delivered—not the product, but the tank full of propane gas. Our agencies in border States and southern States and the Midwest are having a terrible time because homeowners have to add LIHEAP and their own money together to get even one propane delivery.

Some of the new figures we have tried to give you in today's testimony simply to add to these eloquent arguments are measurements of the energy burden, which is what we call the bill that people have to pay for energy as divided by their annual income, and it is astronomical this year, a new high. LIHEAP-eligible customers, according to our forecast models, can, as a group, expect to pay 17 percent of their income on average. Of course, this is a number that reflects the extremes that Senator Murkowski was just speaking of. Any New Englander knows 17 percent is not the average, of course not for Alaska and certainly not for New England. It is higher.

In fact, all fuel oil users, and most of them are in the Northeast, are expecting to pay about 24 percent of income on—sorry, 26 percent of their income on their energy bills this year. Electric heat users will pay about 13 percent of their income. There are tremendous differences in the impact of these prices on households, none of them affordable. The average American who is not eligible for LIHEAP has consistently been paying about 4 percent of annual income and still that will be the case this year.

About 40 percent of the people who are eligible for LIHEAP are in poverty, truly very low incomes below the Federal poverty guidelines. For them, the average energy burden nationwide is going to be about 22 percent, essentially an absurd figure. That is what it would take if they were able to buy all their energy, pay all their bills.

LIHEAP can make an enormous difference in the regions where the States are properly funded. Perhaps no State is now properly funded. In those areas, it can expect to cover perhaps 20 or 25 percent of the bill if it is coupled with utility discounts and other help. All together, this means, as the Chairman has said, each of you has said, a tremendous constellation of hardships, none of which are better described than in the C-SNAP program study. I will leave that to Dr. Frank.

The census finds exactly the same numbers under the SIPP survey. LIHEAP is a unique tool because it can be directed to the energy bills. In other words, households with high bills get more help, and it is properly targeted. It is a terrific tool for households who are working low-wage workers and need only help with their energy bills to get by. Our community action agencies see them.

It is also an important part of our efforts to help families develop long-term self-sufficiency, so that they become permanently able to maintain their family's economic security without further help. That takes a while.

Finally, it is a terrific tool for leveraging other resources. There are more than \$2 billion of additional energy benefits available for low-income people, very unevenly distributed. Half of that is in California. A number of States don't have any.

Those are utility discounts, those are charitable contributions through fuel funds, and they are consumer protections that help write off arrearages and waive fees, all of them tied to LIHEAP participation and agreements with the LIHEAP program. That is a very valuable tool for those agencies out there that are doing a job to change customers' situations forever, if they can, and for the

mid-term at least, and it is important to keep LIHEAP and strengthen the program so that there is more of it everywhere.

I appreciate the opportunity to put this in the record.
[The prepared statement of Ms. Power follows:]

PREPARED STATEMENT OF MEG POWER, PH.D.

Thank you for the opportunity to present the views of the National Community Action Foundation (NCAF) which represents the Nation's 1,100 local Community Action Agencies. On behalf of our director, David Bradley and our national membership, I want to thank the subcommittee for its history of unwavering support for the LIHEAP programs from the very year of its birth in 1981. Mr. Chairman, you have championed energy assistance from the moment you were elected to the House of Representatives; like Senator Kennedy, you have never failed to keep the heat on every Administration and every Congress to, literally, "keep the heat on." Senator Alexander, under your leadership the subcommittee reported, and the Senate passed, a solid re-authorization bill in 2003; NCAF was honored to work in partnership with you in that effort.

Community Action Agencies (also called CAAs or CAPs) deliver about one-third of the LIHEAP bill assistance resources to participants. We estimate that our local agencies actually work face-to-face with the vast majority of those who receive "crisis" assistance. CAAs administer nearly all the LIHEAP funds devoted to Weatherization. LIHEAP is second only to Head Start as the largest program in our network.

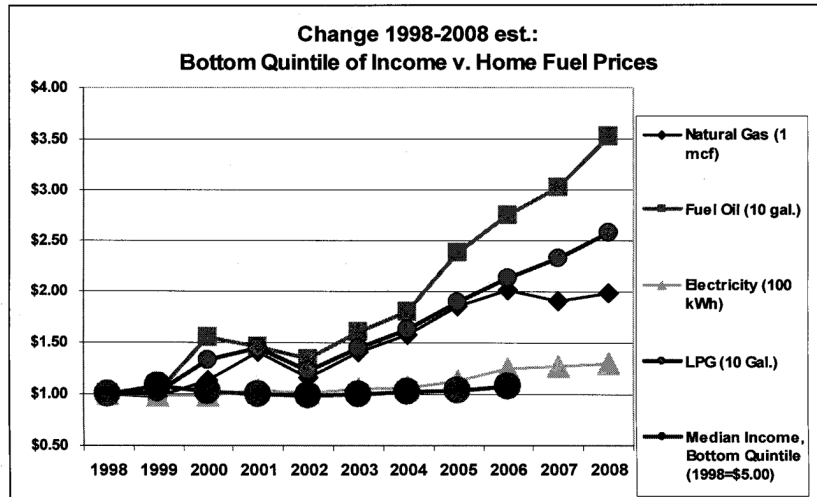
My testimony is in three parts:

- a situation report on the energy burdens that low-wage workers, retirees and their families are carrying this very year;
- a description of the ways Community Action uses LIHEAP as part of a coordinated strategy to move participants closer to economic security, and
- NCAF's proposals for re-shaping the LIHEAP statute to make the program an even better tool for helping energy consumers in the 21st century.

I. SITUATION REPORT: A FORECAST OF LOW-INCOME CONSUMERS' FY 2008 ENERGY BURDEN AND BILLS

Consumers' energy bills for the gas or oil and electricity they need to meet only the most basic requirements for safe housing have not been higher in a generation, not even in "real" dollars. Every region's small consumers are affected by the cost and by the rapid rate of change. This year, once again, homes that rely on delivered fuels, fuel oil and LP gas, will have the fastest-rising bills, as well as the highest bills. Two years ago that dubious honor went to natural gas users in several regions.

We measure the impact of household bills the simple way, much as the Federal housing measure for affordable housing is based on the percent of income represented by out-of-pocket expenditures: energy burden is the percent of annual income a household must spend to buy utilities (not including water) and all other residential fuels the household uses yearly.



Sources: ORNL October 2007; EOS updates Feb 2008.

Heating and cooling together make up just 50–60 percent of annual low-income consumer bills, depending on weather and price. Households must pay utility bills that include all uses.

Forecasts based on an Oak Ridge National Laboratory model and using updated Federal data^{1 2} on incomes and energy show that, during this fiscal year, the population eligible for LIHEAP, about 34 million households, can expect to pay an average of \$1,864 for energy. That sum will equal 17 percent of their average household income. The lowest-income eligible consumers, the approximately 13 million in poverty, will pay less, \$1,644, but that bill is an even higher share of their very low incomes: 22 percent. (Since energy burden is calculated by dividing income by the energy cost, the lower the income the higher the burden for the same energy bill.)

Charts 1 and 2 show forecast bills and energy burdens for the entire eligible population and for the subgroup of eligible households in poverty compared to all households with incomes higher than the LIHEAP eligibility ceiling. Chart 1 shows the poor use less fuel, but Chart 2 shows it costs them a far higher share of their very limited incomes. Households not eligible for LIHEAP average a 4 percent annual energy burden.

¹ Eisenberg, Joel F., *Short- and Long-Term Perspectives: The Impact on Low-Income Consumers of Forecasted Energy Price Increases in 2008 and a Cap-and-Trade Carbon Policy in 2030* ORNL/CON-503, Oak Ridge National Laboratory, Oak Ridge, Tennessee, December 2007, and *January MIDWINTER UPDATE*. <http://weatherization.ornl.gov/>.

²Details of the model and methodology are in the report: Power, Meg, "The FY 2008 Energy Burdens Low-Income Consumers, Economic Opportunity Studies, and Washington, DC. www.opportunitystudies.org.

Chart 1.

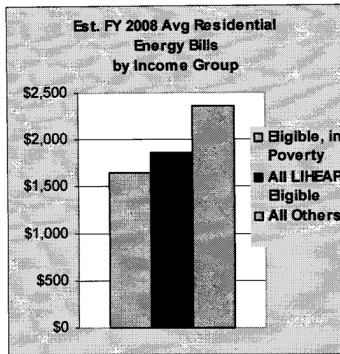
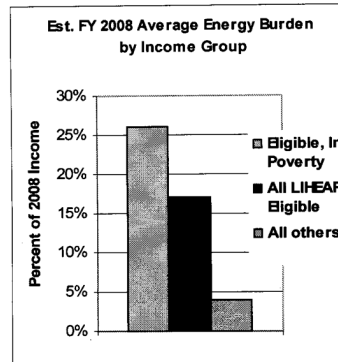


Chart 2.



The incidence of high energy burden varies geographically. Chart 4 shows the average energy burden forecast for each Census division. In six of the nine, LIHEAP consumers will have burdens at or above the national average. The differences stem from both the expected bill amounts and the income variation among the regions.

Chart 4.

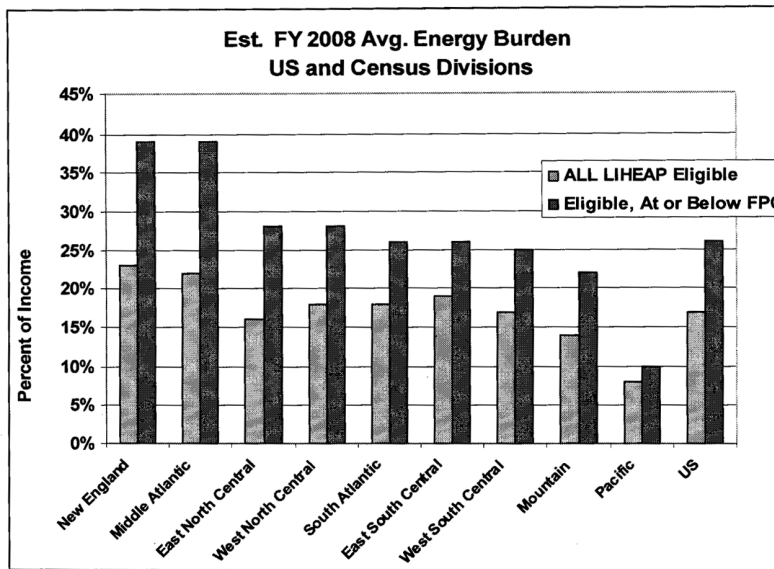
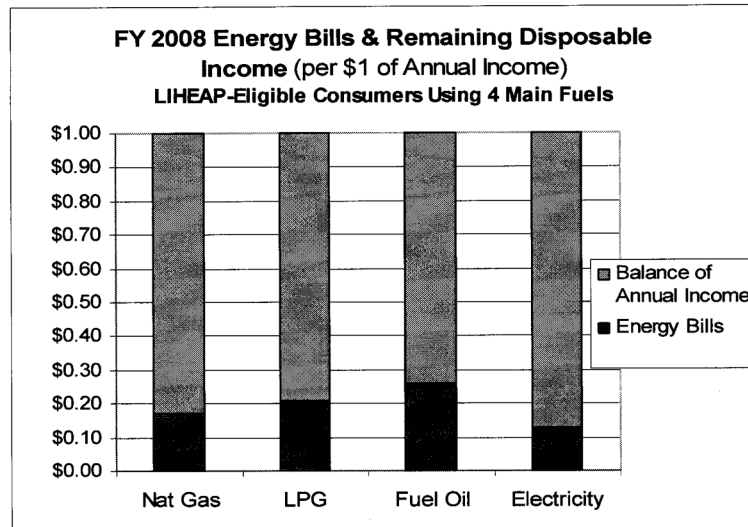


Chart 5 shows how the type of heating fuel a household uses affect the size of its energy burden and the proportion of household income left for other needs. Clearly, there is a basis for the LIHEAP requirement to vary benefits as well as for flexible implementation based on fuels and, as the graph suggests, based on the predictability of extreme hardships of several kinds which will threaten those who use deliverable fuels to heat in a normal winter. However, the clearest message is that eligible families' after-energy disposable income will be far too low to meet

³Roger Colton has developed two tools for State and local-level applied calculations of the impacts of energy costs on household budgets and the difference between a livable income that includes true energy costs and real household incomes.

other basic needs for the year. Analysts have developed several descriptive tools for quantifying the shortfall between a minimally adequate annual budget and actual incomes.³

Chart 5.



Will eligible consumers and others of modest means, really pay bills of this magnitude? Millions will make partial payments and a minority will receive help from LIHEAP and utility discount programs. Others will experience catastrophic consequences, some families will be forced to move; those with compromised health, including many children with asthma and allergies, risk health crises from living in poorly heated or un-air-conditioned space. The best documented effects are those tracked in by Children's Sentinel Nutrition Project Dr. Frank leads.

However, it is important to recognize that the choices low-income energy consumers are making are even more complex than "heat or eat." These don't rhyme as well, but Census surveys and opinion surveys confirm that the choices frequently are:

- See the doctor/fill the prescription or keep the lights/refrigerator on?
- See a dentist about this toothache or pay for heat?
- Look for another apartment but buy the oil while we're looking, or pay the rent and plug in a space heater because the power can't be shut off until March?

Every one of these methodologically sophisticated studies and surveys confirms that consumers will make such risky sacrifices to keep warm enough and to keep the lights and refrigerator on. The C-SNAP study brings life just some of the cold hard numbers reported in the U.S. Census SIPP survey of Measures of "material well-being"⁴ which showed the national scope of energy-related hardships.

In 2001, 9 percent of U.S. households who could not afford to pay their energy bills at least once during the year.

- This was the most common of all inability-to-pay problems reported by the 21 million households who could not afford one or more essential services or goods that year;

³The difference between affordable energy bills and actual bills is calculated for low-income households State by State and posted at <http://www.homeenergyaffordabilitygap.com/>.

His Home Energy Insecurity Scale parallels the measurements of food insecurity. It was disseminated by HHS LIHEAP office in 2003: <http://www.fsconline.com/downloads/Papers/2003%2005%20insecurity-scale.pdf>.

⁴See "Supplemental Measures of Material Well-Being: Basic needs, Consumer Durables, Energy and Poverty, 1981-2002." U.S. Census Bureau, Washington, DC. P23-202, December 2005. Also a summary of energy specific clusters of hardships in "Making Ends Meet when Energy Costs Soar" Meg Power, Economic Opportunity Studies, Washington, DC. www.opportunitystudies.org.

- The majority of those with un-affordable energy bills experienced several hardships at once during the same period. The most common listed in order were:
 - Experienced hunger (“critical food insecurity”);
 - Skipped medical or dental care; and
 - Missed rent or mortgage payment.
- Nearly half had incomes too high for LIHEAP eligibility and nearly every one of them was a working family. However, the number and severity of simultaneous hardships rose in inverse proportion to income, so that the lowest-income had the most simultaneous hardships and the most severe or “critical” hardships.
 - Those in Poverty were by far the most likely to experience crisis-proportion hardships: hunger, utility shutoff and eviction.

At the time of that survey, 2001, prices were lower and the weather was milder than at present. The gap between incomes at the bottom of the national income range and energy prices continues to widen, the first chart we presented demonstrates. Few if any other consumer costs have dropped as a share of household income.

II. HOW CAN CAAS TARGET LIHEAP TO ENHANCE FAMILY ECONOMIC SECURITY

LIHEAP is an important tool in the fight to reduce poverty and stabilize workers, retirees and to their families, but it has become too small a lever by contrast to the energy burden that must be relieved. In recent years, many middle class working families have also swelled demand for these scarce resources. Many come in to the CAA for the first time, having never before sought help from any government or charitable program, but unable to pay the high bill to keep from being disconnected from utility service or denied a propane or fuel oil delivery.

How LIHEAP is Unique in CAA Anti-Poverty Initiatives

The reasons CAAs believe this distinctive energy assistance program is more valuable to solve certain household problems that an equivalent amount of generic emergency funding or income support are:

1. LIHEAP payments are structured, by statute, to address the great variation in the size of energy bills, even among homes that look the same and have inhabitants who have similar incomes. While climate, geography and family size explain some of the diversity, experts can only guess that aging equipment and the peculiarities of older buildings have a lot to do with the fact that similar customers have very different bills. The LIHEAP benefit matrix targets the energy burden.

2. LIHEAP is an effective tool for leveraging partnerships with suppliers. State LIHEAP programs are the largest “residential” consumer in their State; they transfer thousands of payments as electronic credits to the participant accounts. Many utilities and their regulators have reciprocated with consumer protections, free waivers and discounts. Many CAA energy managers also have open access to a utility customer service representative who can tailor flexible payment and even debt-forgiveness arrangements for specific participants and who is available to respond to emergencies in periods of severe weather or disaster.

LIHEAP Supports Three CAA Strategies

A CAA uses this unique asset three ways. Each is intended to contribute its core mission: building long-term economic stability in partnership with their participant. As the subcommittee is well aware, CAAs’ approach is to coordinate different, appropriate resources and maintain long-standing relationships with low-wage workers struggling toward security. They use CSBG funds to manage the coordinated and mobilized partners and funding. LIHEAP is one of the direct forms of assistance essential to most, but not all, of our participants.

LIHEAP is used:

1. *To prevent* major economic destabilization of low-wage workers and retirees uniquely threatened because of their high energy bills. Every year eligible community residents who have never relied on LIHEAP or other help come to their CAAs because their tight budgets could no longer accommodate their higher energy bills. Such consumers are those who have been “getting by” on very modest incomes and whose situation has not changed, except for the dramatic increase in the cost of their fuels. They generally seek and accept only LIHEAP help and perhaps registration in utility discount or budget payment plans. No other form of Federal or State support would be as effective at maintaining the precarious economic independence as LIHEAP: its benefits are geared to the energy burden of households, and it is efficiently delivered and coordinated by the CAA with related energy subsidies or protections.

a. In 2006, CAAs informal and desperate reports to NCAF here in Washington chronicled a flood of such newcomers and others who were ineligible, but of modest means and at great risk. (Fuel funds are able to provide some over-income applicants with assistance for as long as funds last.)

b. Many returned in 2007 when prices were similar to those in 2006, or higher in the case of petroleum products, but received inadequate help because LIHEAP funding was much lower.

c. At present, CAAs are reporting a new flood of “new” applicants who are painfully realizing they cannot afford energy and still continue to meet their other obligations.

d. Because benefits vary by energy bills and burdens which (unlike local area rents, or even transportation and child care costs) fall over a wide range even within the eligible group, the effective LIHEAP targeting can result in effective prevention of family insecurity.

2. To stabilize those facing a major economic or personal crisis that threatens their long-run chances of being self-supporting.

Many hardworking Americans fall into poverty as a result of ordinary, but dramatic, personal tragedies—job loss, disability, loss of a loved one, the needs of relatives. Without assets or adequate credit, their loss may lead to many other setbacks and, eventually, true poverty. CAAs have learned how a strong “hand up” early in such a crisis can prevent lasting, catastrophic consequences, and LIHEAP becomes one of the key resources needed to keep or re-establish safe housing. For many, either new service must be set up or large unpaid utility debts must be reduced. CAA staff have developed unique relationships with customer service departments of major suppliers, and, in most States, are able to negotiate concessions for their families who are starting to recover from a crisis. These relationships are one result of the “leverage” LIHEAP confers in the energy markets. Because the program is the largest buyer of residential energy in any service area, the vendors it works with are willing partners and seek to keep information flowing as well as transactions, to the benefit of the participant.

3. Finally, LIHEAP is an *essential support for the long-term development of family security* for those who are working hard and learning hard to open future opportunities with the support of their CAAs. Their energy burdens will remain high until their incomes rise significantly, even as the family is working hard.

LIHEAP is one of the key elements in building family credit; participants in CAA family development programs and local asset-building initiatives take part in financial education and budgeting exercises. Some CAAs use LIHEAP as a base or match, for participant out-of-pocket payments for energy after helping them join the utility budget plan. CAAs’ LIHEAP staff helps negotiate debt forgiveness plans with utilities when possible.

Many demonstration programs funded with a REACH grant from HHS have tested the use of LIHEAP as an incentive or family development support in different program contexts. The State of Texas for many years served only a limited number of younger consumers, but has invested significant case-management resources in them and offers monthly LIHEAP credits for participants who lived up to their development and self-sufficiency goals.

Four States (NV, NH, NJ, and OH) integrate LIHEAP into a utility rate structure that requires only a reasonable percent of monthly income to be paid by the customer, with the balance of the bill picked up by the rate-payers and LIHEAP. We see these experiments as the beginning of a policy solution that engages all sectors in reducing energy insecurity and the high lifetime costs of the risks from unaffordable energy bills.

III. NCAF’S RECOMMENDATIONS RE: LIHEAP AUTHORIZATION 2008–2010 AND BEYOND

Mr. Chairman, NCAF recognizes the fiscal constraints and the time constraints that confront the 110th Congress and we realize the former may persist well into the 111th. We believe that some changes in LIHEAP requirements that can be judged without a massive program review or evaluation would be very helpful immediately, and that other important changes deserve some study to provide a basis on which the authorizing committees can decide on changes in the near future.

Programmatic changes:

A. *Preparing Formula Options for the Future*: One of the important changes that we believe urgently needs to be addressed after adequate preparation is a change in the distribution formula. Clearly all States’ programs need far more resources. As the analysis above shows, warm States’ consumers are disproportionately affected by increases in their energy bills, because the LIHEAP resource shortfall compared to the need is so great. CAAS in the south and southwest especially face

extraordinary and growing demands for energy help and they exhaust their resources within days or weeks, not a few months. We believe that the formula now creates a major barrier to added funding because the coldest States reap so little additional reward from new appropriations. We suggest that, rather than committing to the current formula indefinitely or to trying to re-allocate a too-scarce resource on the basis of untested criteria, legislation should require the Secretary of HHS or the Congressional Research Service to work with the Census Bureau and deliver at least three options for a formula that is fair to every State and ensures that, if the funding increases, every State is a winner.

B. *Other Evaluations to Guide Future LIHEAP*: Another study NCAF would like to see undertaken during short authorization through 2010 is a compilation of the evaluation studies funded through REACH demonstration projects. Reach grantees tested more effective or cost-effective ways to deliver LIHEAP to specific groups or to all. The Department has never reported on these nor suggested what best practices might be helpful to many.

C. *Program Changes that Support Family Stabilization*: We believe some changes are warranted now, including some that were in the 2003 committee bills. All of NCAF's suggestions are outlined in an appendix we would like to submit for the hearing record. The two changes that would greatly improve CAAs' ability to use LIHEAP as part of stabilization and self-sufficiency strategies now are:

1. States should provide assurance that no consumer who pays bills timely will receive fewer benefits than another with the same characteristics like energy burden, family size, income and other criteria on which benefits are based. LIHEAP "crisis" policies that provide more benefits for those threatened with a disconnection or those without fuel undermine all the other programs' incentives for participants to manage budgets wisely and build credit and assets. States' benefit regulations that require a shut-off warning as a condition for an additional benefit mean that this public policy rewards non-payment; their CAAs see participants torn between making their small contributions to suppliers timely or risking their credit and raising their bills with penalty charges in return for hundreds more dollars to help meet family needs. This problem persists in many, but a minority, of the States.

2. Further, so-called Assurance 16 funding for working with participants over time with an integrated set of supports has been essential to many States' LIHEAP-related financial literacy and security initiatives. LIHEAP administration funds are very restricted, a limitation that works against careful targeting of benefits to energy burden and providing integrated and sustained support to participants. We believe the States should be allowed to choose the amount to use for this purpose.

Funding

In the 2-year authorization bill, we would prefer to see, we believe that a \$6 billion authorization will give appropriators scope to meet more needs, but not set an unrealistically high benchmark. We have every faith in the Chairman's willingness to fight for emergency funding in the even more catastrophic energy market events.

However, we believe that the conditions for emergency contingency funding must be changed so that the factors that trigger a release are predictable, fair and based on the reality of energy bills. We have provided some proposed language in our attachment.

Thank you for your consideration of Community Action's suggestions; we intend them as useful additions to the subcommittee's historic record of leadership for the Nation's most vulnerable energy consumers, and NCAF stands ready to work on improving and refining these ideas.

LIHEAP REAUTHORIZATION: PROGRAM CHANGES FOR DISCUSSION

CHANGE THE PURPOSES

NCAF Proposal

(1) In subsection (a), by striking "primarily" and all that follows and inserting the following: "in meeting their immediate home energy needs, making home energy costs more affordable, and preventing household energy crisis, such as reducing home energy costs through payment to, or on behalf of, participants, obtaining lower costs for the home energy purchased by participants, and providing services and resources that reduce the energy burdens of low-income home energy consumers."

Rationale

These purposes were added to the committee's reauthorization bill which passed the Senate in 2003. They encourage the use of LIHEAP funds for services, invest-

ments, and, of course, payments, that reduce the “burden” of energy bills. Examples would be services that enrolled applicants in EITC or other appropriate programs, State discount programs that advocate for protections that regulations provide, secure other donations or support to correct energy-guzzling defects, etc.

The text also subsumes the original purposes; to keep both is unnecessary.

MANAGE EMERGENCY FUNDS

NCAF Proposal

Requires Secretary to release Emergency Contingency Funds when HDD or CDD exceed 10-year norm by 15 percent or more and/or in a month when residential fuel prices rises to 20 percent higher than the 5-year norm.

Rationale

This removes uncertainty about the release of contingency funds in the event of extreme weather or dramatic price increases. It corrects the present process which can appear capricious in the selection of the variable that determines what State is funded.

ENCOURAGE NEW LEVERAGING

NCAF Proposal

Add an instruction to the criteria for disbursing leveraging incentive funds to provide additional funds to newly-won leveraged resources as determined by the Secretary.

Rationale

The leveraging “incentive” fund is a very small percentage of LIHEAP, and States that add new leveraged resources reap miniscule rewards. Its value as an incentive is somewhat restored by rewarding recent initiatives more heavily than long-ago victories.

STATE APPLICATION

NCAF Proposal

Authorize States to submit 2-year plans.

Rationale

This would remove any Federal barrier to year-round activities to enroll new participants, purchase fuel with advance contracts, etc.

CHANGE ASSURANCE 16 TO ALLOW STATE TO SET AMOUNT USED FOR THE PURPOSES

NCAF Proposal

Add: “The State may use funds authorized under this title, at its option, to provide services that encourage and enable households to reduce their home energy need, to make their energy costs more affordable and prevent energy crisis, including needs assessments, energy conservation education, counseling, and assistance with energy vendors, and other benefits such as financial literacy asset-building services, support for ameliorating housing conditions and costs, provided that such services or resources have been demonstrated by a REACH pilot program or through other formal evaluations to be as effective as payments in making energy affordable for eligible households.

Rationale

States need both more flexibility and incentives to move in the direction of affordability programs. Demonstrated and evaluated approaches that make energy bills or energy burden lower with persistent results should be allowable.

BENEFIT RULES MUST NOT REWARD NON-PAYMENT WITH HIGHER ASSISTANCE

NCAF Proposal

In section 2605 (B) after “intervene in energy crisis situations;” add “provided that no household shall receive higher benefits as a result of non-payment of energy bills than another household with the same needs energy burden and home energy type that has paid energy bills more timely and thereby prevented energy crisis.”

PAYMENTS BY STATES

NCAF Proposal

Provides the States will make payments to subgrantees according to OMB's generic categorical Federal grant rules, i.e., will make systematic advances for local agencies in good standing, not provide reimbursement only.

Rationale

Block Grants are not governed by the same rules on timing of State payments from Federal funds, and some States force local agencies to advance LIHEAP vendor payments and management costs by using their other funds or even borrowing. This affects all their credit availability as well as other services and investments for low-wage workers and their families. The provision means all States will start up LIHEAP with an advance of funds for a short period of operations. Then local grantees will apply for reimbursement or advances, as needed, per the OMB rules governing all Federal grants except Block Grants.

STUDIES

NCAF Proposal

Secretary works with expert regulatory organizations to adapt their survey tools to State vendor agreement format.

Rationale

The National Regulatory Research Institute has recommended Commissions adopt reporting requirements and formats for tracking utility disconnections and residential bad debt information. States could use an appropriately designed report as one element of their LIHEAP vendor agreement.

NCAF Proposal

Secretary prepares report to Congress on options for funding allocation factors that are fair to consumers in all States.

Rationale

The distribution formula stymies LIHEAP expansion because all States would not benefit from growth. The Congress needs an objective study presenting viable alternatives. This language sets out one alternative for the criteria to use in suggesting formulae. An alternative could be a CRS study options paper.

TECHNICAL ASSISTANCE

NCAF Proposal

Authorizes up to ½ of 1 percent of LIHEAP for studies, for publishing REACH results, and for training/technical assistance. Prohibits the use of these funds for Federal salaries or Federal monitoring.

Rationale

Minimal LIHEAP data or analysis is performed. A decade of REACH project evaluations remains uncollected and un-reviewed. This change provides a bare minimum to allow timely review of data, reports, sharing best practices, and study of potential improvements to the program, including those set out in the "Studies" section.

Senator DODD. Well, thank you very much, Doctor.

Dr. Frank, welcome. A pleasure to have you before the committee.

STATEMENT OF DEBORAH A. FRANK, M.D., PROFESSOR OF PEDIATRICS, BOSTON UNIVERSITY SCHOOL OF MEDICINE, DIRECTOR OF GROW TEAM FOR CHILDREN, BOSTON MEDICAL CENTER, BOSTON, MA

Dr. FRANK. Thank you, Chairman Dodd and distinguished members of the committee. I am honored to be here.

The C-SNAP project, which my colleague Dr. Cook, who is here, and I and a number of the rest of us focuses on infants and toddlers under 3, who are the most vulnerable and also, except I guess for your grandchildren, the least visible of your constituents. They

probably are not knocking on the doors of your office to brief your staff.

I would like to stress that all the research that I present was completed by 2006 before the current exponential increase in energy and food. It probably underestimates the severity of the problem. I am here to tell you, rather than home doctoring the malnourished babies I should be doctoring, that in the basis of research and clinical experience LIHEAP is a child survival program. LIHEAP is a child health program. LIHEAP is a nutrition program, and LIHEAP is a child development program.

From the first days of pediatric internship, it is drummed into our heads that the quickest way to make a baby stop breathing is to let them get too hot or too cold. Parents know that babies will freeze to death before they starve to death. Given the risk of dark and cold, they cut back on food, and that in itself jeopardizes children directly.

Remember that babies, 0 to 3, are developmentally in the most rapid period of brain and body development. They are also the most physiologically vulnerable to cold stress and to hunger, and I can explain the technology later, if you want. When babies divert scarce calories to keep up their body heat, they don't learn and they don't grow.

Parents sacrifice on both fronts, living with food scarcity while heating their homes unsafely with cooking stoves and space heaters, using candles and kerosene lights, practices which increase the risk of fire, burns, and carbon monoxide poisoning. I want to call to remembrance Rebecca, who was 9. It was her birthday. And Rouben, who was 11, who died in my hospital 2 months ago because their parents were trying to keep their bedroom warm with a space heater, which is what people do when they are trying to make oil last.

Such fires account for 10 percent of all fires, but 40 percent of all deaths. Candles also are a huge cause of child death, and often these occur in homes where the electricity had been cut off.

Now, unnecessary deaths of children are the most soul-stirring, but there are many other, much more prevalent and serious effects of what we call energy insecurity that have long-term and short-term ominous implications. In a sample of almost 10,000 babies in Baltimore, Philadelphia, Little Rock, Minneapolis, and Boston, about a third are energy insecure. In this report, we show that they are not only more likely to be hungry and sick, but what actually floored us, because we weren't expecting it, is that they are 80 to 90 percent more likely than their energy secure peers to be developmentally at risk.

I am a developmental pediatrician. I know that if children are delayed in these first critical 3 years, it is very hard to catch up. Energy insecurity is not just a problem for little children being sick and being hungry, but with them being less ready for school long before they are out of diapers.

Now we know that there isn't just the disease, there is a medicine. We know this from research, which was recently published in Pediatrics, that there is a partially effective medicine to protect children in this current epidemic of energy insecurity. That medicine is called LIHEAP.

We found that when we compared renter families who were all eligible for LIHEAP, but those who got it and those who didn't, comparing for the background differences, if the children were in a family that should be getting LIHEAP and weren't, they were 23 percent more likely to be growing poorly and 32 percent more likely to have to be admitted to the hospital the day we saw them in an emergency room.

I would point out that a cost of a single 3- to 4-day pediatric hospitalization for something routine, not ICU, costs about \$6,000. That would fund LIHEAP allotments for a whole lot of families. Its child health track record, although not perfect in LIHEAP, is better than many things we do every day.

The problem with this medicine is it only reaches, as you heard, one in seven of the eligible, which is worse than the flu shot. There are those who get it, where the dose is too low. As Senator Murkowski saw, in Massachusetts right now, it applies only about a third of the cost of a tank of oil, which is about 2 weeks' worth of keeping somebody warm. Senator Kennedy's information was probably 3 weeks out of date. It is getting worse and worse.

Now food costs are the highest in 10 years as well as energy costs, and they are linked. We are very concerned that this very grim epidemic of cold, hunger, illness, and developmental delay is going to affect an ever-increasing number of America's children. We can diagnose the problem. Only you, our leaders, can prescribe the medicine by increasing and stabilizing LIHEAP funding, as Dr. Power said.

I am here to remind you again what my colleagues and I and pediatricians like us around the country know, but is not noted in most policy conversations, which is that LIHEAP is a child survival program. LIHEAP is a child health program. LIHEAP is a child nutrition program. LIHEAP is a child development program.

I am very thankful that you care enough to be here today to show that you are willing to consider evidence-based policies to the fuel future of our children, and I hope that you will be able to guide your legislative colleagues so fewer of our children will die or be chronically impaired by hunger, ill health, and slow learning for want of safe and adequate energy.

Thank you for your attention.

[The prepared statement of Dr. Frank follows:]

PREPARED STATEMENT OF DEBORAH A. FRANK, M.D.

Chairman Dodd and distinguished members of the committee, my name is Deborah A. Frank. I am honored to be given the opportunity to share with you the experience of pediatric clinicians and the evidence of pediatric researchers on the importance of the Low Income Home Energy Assistance Program (LIHEAP). I am a Professor of Pediatrics at Boston University School of Medicine and a founder and principal investigator of the Children's Sentinel Nutrition Assessment Program (C-SNAP), a multi-site pediatric research group which focuses on the impact of public policies on babies and toddlers under the age of 3 years, the most vulnerable and the least visible of your constituents. I would like to stress that all the research I am presenting was completed by 2006 before the exponential increase in energy and food costs in 2007 and 2008, so it probably underestimates the current level of risk to our children.

I would be back at Boston Medical Center doctoring these "invisible" malnourished children, as I do most Wednesdays, if I did not know on the basis of research and clinical experience that LIHEAP is a child survival program, LIHEAP is a child

health program, LIHEAP is a child nutrition program, and LIHEAP is a child development program.

LIHEAP, as you know, is instructed by statute to target benefits to “vulnerable households with the highest home energy needs,” defined as those including either an individual with disabilities, a frail elder, or at least one member who is a young child. This is a medically sound choice. (www.acf.hhs.gov/programs/liheap/performance/index/html accessed 3/06/06). From the first days of a pediatric internship it is drummed into our heads that the quickest way to make a baby stop breathing is to let the environment become too cold or too hot. Families, as well as doctors, know children will freeze to death before they starve to death, so confronted with the dire risks of dark and cold, parents turn to the only flexible part of a poor family’s budget, the food budget. This trade-off is not only often not adequate to avoid chronic problems keeping the house warm and lights on, but also has been shown by decades of research to jeopardize children’s current and future health and development by increasing the family’s food insecurity—what front line workers call hunger. A new report, *Fuel for Our Future*, from the Children’s Sentinel Nutrition Assessment Program (C-SNAP) demonstrates that even before the recent record surge in energy costs, this “heat or eat dilemma” was depressingly familiar to America’s poor and near-poor families and their doctors.

These untenable choices wreak havoc on all our citizens, but particularly on the health of our youngest and most vulnerable children. Babies and toddlers ages 0 to 3, who developmentally are in the most rapid period of brain and body development, are also among the most physiologically vulnerable to cold stress. They lose body heat more rapidly than older children and adults because of their higher surface area-to-mass ratio. When babies’ bodies have to divert already-scarce calories to maintain body heat, cold and hunger intertwine to jeopardize their current health and growth, as well as their future ability to learn and relate to others. The 14 percent of America’s children of all ages who have special health care needs, although not targeted in our C-SNAP sample, are also actively endangered by cold and dark. Cold temperatures trigger painful crises among children with sickle cell disease and severe attacks among children with asthma. The health of children in general is threatened. How are parents to feed their children safely if they have no gas or electricity for refrigeration or cooking? How are they to administer nebulizer treatments without electricity? How are they to keep babies clean without warm water?

Low-income families pay a much higher percentage of their income for energy costs than families with higher incomes—6 percent is considered affordable, but many poor families pay 15, 20, or even 40 percent. This squeeze causes terrible choices. Federal research shows that while both rich and poor families increase their expenditures on home fuel in unusually cold months, poor families offset this cost through decreasing food purchases with an average 10 percent decrease in caloric intake. Many inevitably sacrifice on both fronts, living with food scarcity while heating their homes with cooking stoves and space heaters, using candles and kerosene lamps for lighting, practices which increase the risk of fires, burns, and carbon monoxide poisoning. I want particularly to call to remembrance in this context Rebecca Zizi, age 9, and her brother, Rouben Zizi, age 11, who died in the emergency room of Boston Medical Center (the hospital where I work) on December 29, 2007 because of a fire started by the space heater their family had placed in their bedroom—a common practice when parents are worried they will not be able to afford enough heating oil to keep warm throughout our long New England winters. Such fires account for only 10 percent of all heating fires, but 40 percent of all deaths. Indeed, it is not just lack of heat but lack of light that can kill children—25 percent of all fatal candle fires occur in homes where the electricity has been cut off.

While not as soul-searing as the unnecessary deaths of children, there are many other serious and widely prevalent effects of families’ inability to afford adequate energy which have long term ominous implications for the present and future well being of young Americans. The health effects of energy insecurity surface on the bodies of babies in emergency rooms at hospitals like Boston Medical Center during the cold of winter. Long before the current energy crisis, we found a 30 percent increase in the number of underweight infants and toddlers in the Boston Medical Center Emergency Room in the 3 months following the coldest months, compared to the rest of the year.

More recently, my colleague Dr. John Cook, who is here today, and the rest of the C-SNAP team have evolved and tested a measure of household energy security, which is under review in a medical journal as we speak.

We define energy security as follows:

Household Energy Security (HES) is consistent access to enough of the kinds of energy needed for a healthy and safe life in the geographic area where a household is located. An energy-secure household’s members are able to obtain the energy need-

ed to heat/cool their home and operate lighting, refrigeration and appliances while maintaining expenditures for other necessities (e.g., rent, food, clothing, transportation, child care, medical care, etc.). A household experiences energy insecurity (HEI) when it lacks consistent access to the amount or the kind of energy needed for a healthy and safe life for its members.

This construct was put into practice as follows for families with children under 3 years:

- if in the past year the family had received a letter threatening a utility turn-off but had not yet experienced it, they were classified as *moderately energy insecure*;
- if they had tried to heat the house with a cooking stove or had suffered a utility turn-off or unheated or uncooled day because of inability to pay the bills, they were classified as *severely energy insecure*.

We were appalled to find in a sample of almost 10,000 babies and toddlers seen in the C-SNAP sites of Baltimore, Philadelphia, Little Rock, Minneapolis, and Boston, more than a third lived in energy insecure households. This is really troubling since, in the subgroups of impoverished babies and toddlers of color we already have looked at, summarized in the C-SNAP report “Fuel for our Future” which is available here today, energy insecure children were not only more likely to be food insecure, but they were sick, sick enough to be hospitalized. (I would point out that the cost of a single 3–4 day pediatric hospitalization currently costs \$6,000, enough to fund LIHEAP allotments for 20 families.) What also really startled us was that severely energy insecure infants and toddlers were 80–90 percent more likely than their energy secure peers to be developmentally at risk. I know as a developmental behavioral pediatrician that children have great difficulty catching up from development delay during the critical period of brain growth in the first 3 years of life. Energy insecurity is associated not just with little children being sick and hungry, but with them being less ready for school long before they are out of diapers. These disturbing results hold true for children of all ethnicities—because our paper is under consideration I cannot yet share the details with you.

We do know there is a medicine that is partially effective in protecting children from the current epidemic of energy insecurity and its costly consequences, not just in human suffering, but in medical and educational costs now and in the future. That medicine is public energy assistance, which at the Federal level is called LIHEAP (Low Income Home Energy Assistance Program). Research my colleagues and I recently published in the medical journal *Pediatrics* shows that, after considering background differences, children in LIHEAP-eligible families who rent and pay for their own heat, but do not get LIHEAP, were 23 percent more likely to be growing poorly and 32 percent more likely to have to be admitted to the hospital on the day we saw them in an emergency room than similar children in LIHEAP-eligible families that do receive it. LIHEAP’s child health track record, although clearly not perfect, is better than many treatments doctors use every day. There are two problems with this medicine: (1) it doesn’t reach most in need and (2) for those who receive it the dose is too low.

LIHEAP is currently funded to reach only about 16 percent of those who should get it.

I was shocked to learn from Dr. Cook and his economist colleagues that the average yearly LIHEAP grant has declined to \$314.00 per family per year, only about $\frac{1}{3}$ of the cost of one tank of oil, which represents only enough oil to keep a family warm for about 2 weeks. This is down from an already inadequate \$427.00 in fiscal year 2005 when our study was in progress and the cost of home energy was high but not as high as it is today. Thus the LIHEAP “medicine” doesn’t reach most of the families who need it and, for those who do get it, the dose is what doctors call “subtherapeutic”—below the level needed for adequate treatment.

With food costs the highest in 10 years and energy costs the highest on record, my pediatric colleagues and I are deeply concerned that this already grim epidemic of cold, hunger, illness, and developmental delay is going to effect ever increasing numbers of America’s children. We can see the problem evolving just as clearly as we see a new and dangerous strain of influenza. We pediatricians can diagnose the problem, but only you, our leaders, can make the treatment available in adequate doses to more of those who need it by increasing and stabilizing LIHEAP funding. I am here to remind you again what pediatric clinicians and researchers know but has not been addressed in most policy debates—LIHEAP is a child survival program, LIHEAP is a child health program, LIHEAP is a child nutrition program, and LIHEAP is a child development program. I am so thankful you care enough to be here today to show that you are willing to consider evidence-based policies to fuel the future of our children. It is my hope that you will guide your legislative col-

leagues to make decisions so fewer of America's children will die or be chronically impaired by hunger, ill health, and slow learning for want of safe and adequate energy.

Senator DODD. Thank you very much, Doctor. That was very important statistics and very, very helpful. On the developmental side particularly, I think it sheds a different light on the issue than the one traditionally brought up when we talk about these issues. Thank you.

Thank you very much for being here, Ms. Hussain. I should have introduced—I understand there is a grandchild here as well, a little one.

Ms. HUSSAIN. Yes.

Senator DODD. I didn't see behind—I apologize. Do you want to stand up so we can see you here? What is your name?

DESIREE. Desiree.

Senator DODD. Nice to meet you. Thank you for coming to Washington.

STATEMENT OF ROBIN HUSSAIN, RESIDENT, HARTFORD, CT

Ms. HUSSAIN. Hello.

Senator DODD. Hi.

Ms. HUSSAIN. Good morning. My name is Robin Hussain. I am a single grandmother, raising three grandchildren in Hartford, CT. I particularly want to thank Senator Dodd, our Senator, who never forgets how ordinary people in Connecticut are struggling and need his help.

I am very grateful to Senator Alexander, Senator Kennedy, Senator Reed, Senator Murkowski, and the members of the committee for this opportunity to speak on behalf of LIHEAP and how much it helps stabilize low-income households like mine and my neighbors.

As I see it, your heating cost is the toughest thing to manage in your entire household. I am a really good manager. I find that there are many expenses that you can bring down. You can shop more carefully. You can clip coupons, switch to another market. You can get used clothes. You can find a more affordable apartment, but you don't have a choice when it comes to heating that apartment. You don't have a choice of a natural gas vendor or a different one. There are no coupons to clip.

If you rent, you have no control over the efficiency of the furnace. But heat is not optional. It is not a luxury. You might turn down the thermostat, but you are still going to need to heat that apartment.

What do you do if you are looking at a gas bill of more than \$300 a month for heat, hot water, and cooking. That is what my bill would have been over the last three winters if I had not been receiving LIHEAP and participating in the matching payment program with our utilities. At times, our rent took more than two-thirds of our family's income. How would I have kept heat in that apartment?

Believe me, I never thought that I would be asking anyone for help. I got my working papers when I was just 12 years old so that I could join a group in the city raking leaves and picking up trash.

During high school, I had two jobs. I had a lot of energy and a lot of ambition.

As an adult, I have been in retail, catering, car rentals. I am a very good organizer. I was always promoted to the manager level. I raised three kids in, I would say—what you would say we could call ourselves, comfortable—not really well off, but definitely getting along. My favorite job was managing a Thrifty Car Rental headquarters. I brought home \$575 a week after taxes, had a company car. From where I sit today, that looked like easy street.

Things really started to change in 2001. To put it bluntly, I lost my fight to keep my daughters away from the world of violence and drugs. In spite of everything our family tried to do, it became clear that I would have to step in for my grandchildren to give them the kind of life that my daughters were unable to pull together.

The empty nest, years of career growth, prosperity, turned into a struggle to parent two children under the age of 3, trying to keep a job and pay the babysitters. Then I really hit a wall. Taking the children, taking care of them when they were sick made me miss work too often to hang onto my job at BJ's. At this point, I was looking at a grandparent stipend now of \$666 a month and no other income.

My rent was really low, just \$450 for a three-bedroom apartment, cold flat. But food, phone, heat, electricity, gasoline, and car insurance, you can't squeeze that all out of the other \$216 a month. I wondered what I would do if I would have to give up our apartment and move in with family or friends. But a grandmother with two preschool children—how long could we stay on someone's couch?

You have heard the expression, "When one door closes, another opens?" My brother told me about the Community Renewal Team, where I could get the kids into Head Start and help find some help managing my bills. I worked with a caseworker, and we started on a budget plan right away.

The most important thing was the Energy Assistance Program. It helped me by paying my heating bills in that drafty old apartment. This year, LIHEAP is paying \$675 toward my heat and hot water bill. To cover the rest, I am on a payment plan. I bring \$80 a month to the gas company. If I get the payment in on time, the gas company matches it dollar-for-dollar. In other words, they forgive \$80 for every \$80 I pay.

Maybe that doesn't sound like much to some people, but it is hard to find that \$80 some months. My other bills I kind of alternate. Some months I pay the electricity, but not the phone. Others, it is the other way around. I try to stick to paying that gas bill on time because if you are late, you lose that match for the rest of the winter. It is still hard, but LIHEAP has helped me take better care of my family.

With the children enrolled in Head Start, I went back to work. First, I substituted in Head Start classrooms so that my hours would match the kids'. The money was just enough to push me over the income limit and for my medical insurance. So that was canceled.

I found an early shift job at a hotel, where I got full medical insurance. Neither of these jobs paid great wages, but I still relied

on the Energy Assistance Program. It helped that I could afford and could count on the Program for one of the most basic needs, keeping my family warm.

The most recent chapter in my story is sitting behind me today in the hearing room. This past year, I was asked to take in one more granddaughter who has been through some really traumatic experiences. Right now, DCF is not allowing her to be left with a sitter, not even our relatives, which is why she came here to Washington with me. Her medical appointments, her psychiatric appointments, her court dates have all kept me from working so far this year. LIHEAP has been a life-saver once again.

In closing, I hope that I have been able to convey how important LIHEAP is to low-income people. There are a lot of working-class people, people like me who are trying to work, trying to raise families to make our ends meet. The LIHEAP program treats people with dignity. It helps to ease the burden of staying warm in the winter, whether you are in an apartment heated with gas or a home heated with oil.

We can all see that the fuel and heat have gone sky high these last couple of years. Programs like this help prevent people from freezing or losing their apartments altogether. Thank you very much for listening.

Senator DODD. Thank you. We could probably just end the hearing right now. I think you have kind of said it all. Eloquent, eloquent testimony.

Ms. HUSSAIN. Thank you very much.

Senator DODD. I am very proud to represent you. Thanks.

Good luck here following that testimony.

Ms. SURBER. Yes, you saved me till last, and she has already said everything I need to say. That is exactly how our clients in Tennessee feel as well.

Senator DODD. Well, thank you very much, Ms. Surber, for being here. It means a lot to have you here.

STATEMENT OF REGINA SURBER, DIRECTOR, COMMUNITY PROGRAMS, DEPARTMENT OF HUMAN SERVICES, NASHVILLE, TN

Ms. SURBER. Our LIHEAP program operates in our State year round, providing needed assistance with heating and cooling costs for as long as the funds will allow. Our LIHEAP dollars are distributed through a network of community action agencies and other nonprofits and entities of local governments. Our State uses a priority point system to target our funds to some of the most needy households in our State, particularly the elderly, the medically fragile, and households with very young children.

As we are all painfully aware, energy prices are soaring. In our State, we have seen many families arriving at our local agencies requesting assistance who have never had to ask for any kind of assistance before. These are families who have been struggling paycheck-to-paycheck to provide for themselves and now find that this one paycheck simply does not cover all of the increased costs of the basic necessities of life. Receiving assistance through the LIHEAP program means that they can use some of those dollars for food or

gas to get to work that they would normally have had to use to heat or cool their homes.

States have the flexibility to set their benefit levels to address the local needs in their communities. When the number of households requesting assistance starts to increase, States must decide whether to keep their current benefit levels and serve fewer households or serve more households by reducing the benefit level for each. That is a hard decision for a State office.

Increasing the number of households served by decreasing the benefit level of each on the surface may seem like an equitable way of sharing available resources. But are we truly helping a household with a smaller benefit level if they cannot make up the difference themselves to pay that bill?

With the current increase in the number of households requesting assistance with their energy costs, our State's current formula allocation simply does not meet the demand. Any decrease in the LIHEAP program funding would have a detrimental effect on the health and well-being of thousands of low-income households in Tennessee. Likewise, no increase in the program allocations means that many more households will go without this basic necessity.

Experience has shown us that we have a need for a year-round energy assistance program. As a southern State, one might assume that the dangerously high temperatures during the summer months are the only time when we need to focus our efforts on assisting households with their energy bills. However, we, like our northern counterparts, experience cold temperatures for a period of time each year. While our winters may not be as long or be as extremely cold, individuals and families unable to pay their heating costs often place themselves in great danger as they attempt to find alternate means, such as candles or wood fires, to keep themselves warm.

Certainly, we do need the funds to assist households with cooling their homes in the summer. Last August, Tennessee, along with several other southern States, experienced some of the hottest temperatures ever recorded in those States. The highest loss of life attributed to the heat wave was sadly within our own State, where we had 15 deaths related to the extreme high temperatures.

We know that the elderly and the very young and the medically fragile are most susceptible to the heat. Our own limited efforts to address this issue through the distribution of air conditioners to low-income households only met a very small portion of that need. We rely on the LIHEAP program to help us serve our low-income households within our State.

The mission of the LIHEAP program is very basic—to provide heating and cooling assistance to households living in poverty. These households, as you have heard, are routinely placed in the difficult position of having to choose to pay for heating or cooling costs or feed their families. The receipt of the Federal LIHEAP program funds allows our State to provide assistance to these families so that, for at least 1 month, they won't have to make that difficult choice.

With the ever-increasing energy costs, the need for energy assistance is surely to rise. The gap between available resources and eligible households in our State continues to widen. Senior citizens

living on fixed incomes and households with members who are very young or have medical disabilities are struggling every month to pay their energy bill.

The need for energy assistance is growing so rapidly that support systems in local communities cannot keep up with the demand. These households will continue to turn to our department for assistance, and we will continue to rely on the LIHEAP program to help make those funds available.

Energy is a basic need for all of us, whether it is for heating our homes during the winter or cooling them during the summer. For households that cannot afford their energy costs, a shutoff of their energy resource is only the first in a succession of problems resulting from their inability to pay that bill. These households often go on to experience additional medical expenses, malnutrition, and even homelessness.

Tennessee appreciates the fact that, over the years, Congress has seen the importance of funding the LIHEAP program, and we ask for your continued investment in this program. We also ask for your consideration in re-evaluating and appropriately revising the funding formula to better reflect the real needs of the so-called warm weather States.

Thank you, Mr. Chairman and committee members, for the opportunity to share with you this morning.

[The prepared statement of Ms. Surber follows:]

PREPARED STATEMENT OF REGINA SURBER

Good morning, I am pleased to testify on behalf of the State of Tennessee on the importance of the Low Income Home Energy Assistance Program (LIHEAP) to our State. My name is Regina Surber and I am the Director of Community Services for the Tennessee Department of Human Services. The LIHEAP program is within my area and it provides an invaluable means for our Department to meet the heating and cooling needs of some of Tennessee's most vulnerable citizens.

Energy burdens (percentage of household income used for energy costs) are on the rise for our low-income households who typically pay a higher percentage of their income toward the costs of heating and cooling their homes. In Tennessee, households living at or below 125 percent of the Federal poverty guidelines are eligible for LIHEAP energy assistance.

Our program operates year-round providing much needed energy assistance for heating and cooling costs. During the prior fiscal year, 95,089 households applied for assistance through the LIHEAP program and 83,448 households received assistance. The majority of households that did not receive assistance were not able to be served due to a lack of funds.

Tennessee's formula funding for LIHEAP averages about \$27M annually. The LIHEAP funds are distributed through a network of nineteen (19) nonprofit agencies and units of local governments serving all of our 95 counties. In our State, a priority point system is used to target services for households with members who are elderly, disabled, and/or under the age of six. In the prior fiscal year, 45 percent of the households served had members who were elderly, 39 percent with disabilities, and 16 percent with young children.

The LIHEAP guidelines provide for States to have the option to set aside up to 15 percent of their LIHEAP allocation to support weatherization activities for low-income households. In Tennessee, we transfer 10 percent of our LIHEAP allocation to the State's Weatherization Assistance Program to support weatherization measures such as insulation and furnace repair.

As we are all painfully aware, energy prices are soaring. In our State, we have seen many families arriving at our local agencies to apply for LIHEAP assistance who have never applied for assistance before. These are families who have been struggling paycheck to paycheck to provide for themselves and now find that their paychecks no longer cover the basic necessities of food, shelter, transportation, child care and medical needs.

Receiving assistance through the LIHEAP program means they can use some of the dollars for food or fuel to get to their jobs that they would have normally used to pay the energy costs of heating or cooling their homes.

States have the flexibility to set their benefit levels to address the needs in their local communities. When the number of households requesting assistance increases, States must decide whether to keep their current benefit levels and serve fewer households, or serve more households by reducing the benefit level.

This is a hard decision for a State office. Increasing the number of households by decreasing the benefit level for each, on the surface, seems an equitable way of sharing available resources. But are we truly helping a household with an \$800 electric bill if we provide them with a \$200 benefit through the LIHEAP program? Will this household be able to come up with the additional \$600 to keep their electricity on and their house warm or cool? For many of our elderly households, the answer would be no.

With the current increase in the number of households requesting assistance with their energy costs, our State's current formula allocation does not meet the need. Any decrease in LIHEAP program funding would have a detrimental effect on the health and well-being of low-income households in Tennessee. Similarly, no increase in the program allocations means that many more households will go without this basic necessity.

Experience has shown us that we have a need for the year-round availability of funds in our State. As a southern State, one may assume that the dangerously high temperatures in the summer months are the only time of year when we need to focus our efforts on assisting households with high energy bills.

However, we, like our northern counterparts, experience cold temperatures for a period of the year. Average temperatures across Tennessee during the month of January average 27 degrees. While our winters may not last as long, or be as extremely cold, as in other parts of the Nation, individuals and families unable to pay for their heating costs often place themselves in great danger as they attempt to find alternate means, such as candles and wood fires, to keep themselves warm.

Certainly, we do need funds to assist households with cooling their homes. Last August, Tennessee, along with several other southern States, experienced some of the hottest temperatures ever recorded. The highest loss of life attributed to the heat wave was in our State where we had 15 deaths related to the extreme high temperatures.

We know that the elderly, the very young and the medically fragile are most susceptible to the heat. Our own limited efforts to address this issue through the distribution of air conditioners to low-income individuals met only a small portion of that need. We rely on the LIHEAP program to help us serve our low-income households during the summer months.

The mission of the LIHEAP program is to provide heating and cooling assistance to households living in poverty. These households are routinely placed in the difficult position of having to choose to pay for heating/cooling costs or feeding their families. The receipt of the Federal LIHEAP program funds allows our State to provide assistance to these families so that, for at least 1 month, they won't have to make this difficult choice.

With the ever-increasing energy costs the need for energy assistance is surely to rise. The gap between available resources and eligible households in our State continues to widen. Senior citizens living on fixed incomes and households with members who are very young or have medical disabilities are struggling to pay their energy bills.

The need for energy assistance is growing so rapidly that support systems in local communities, including nonprofits and faith-based agencies, cannot meet the demand. These households will continue to turn to our Department for assistance. We rely on the LIHEAP program to enable us to meet their needs.

Energy is a basic need for all of us, whether it is for heating our homes during the winter months or cooling them in the summer months. For households that cannot afford their energy costs, a shut-off of their energy resource is only the first in a succession of problems resulting from their inability to pay their bill. These households often go on to experience additional medical expenses, malnutrition, and even homelessness.

Tennessee appreciates the fact that over the years Congress has seen the importance of funding the LIHEAP program and we ask for your continued investment in this critically needed program. We also ask for your consideration in re-evaluating and appropriately revising the funding formula to better reflect the real needs of the so-called "warm-weather" States.

Thank you for the opportunity to come before this subcommittee today to briefly share with you the importance of this Federal program to thousands of households in Tennessee.

Senator DODD. Well, thank you very much, Ms. Surber, as well. That was very helpful testimony, and I thought it was particularly worthwhile to have someone—I think it is sort of obvious in the northern-tier States, but to hear from someone in a border or a southern State, where you have the fluctuations that occur as rapidly as they do, is a good addition to the normal testimony we have from representatives of States where you either have tremendously high temperatures all of the time or a good part of the year very low temperatures.

What I would like to do here is watch the clock here as well—excuse me. I don't know if Senator Reed is coming back? There are three of us here. We can kind of do this informally in a way and engage in a good conversation here.

I wonder if you might, Dr. Power, let me begin with you. We have heard what Tennessee is doing obviously in the State, but I'm curious as to whether or not any States are doing anything unique or different that you are aware of around the country as a model. Obviously, we are serving a relatively small percentage of eligible people, but to what extent are there any good examples out there of how States are managing this issue in a way that might be instructive to those States who would like to deliver more services to people, what they could be doing?

Obviously, we've got our responsibility on this side of the dais. A lot of times, I find a lot of very good ideas come from our States. Are there some examples out there that you would care to share with us at this point?

Ms. POWER. There are, and these are—I am reflecting the preferences of the community action network, which are biased toward some long-term and major system change solutions because there really aren't any evaluations of LIHEAP programs, third-party evaluations.

The leveraging I spoke about is very important, and where leveraging has been used first to finance advocacy and building partnerships and working things out with utilities and commissions, there are safety nets in place that have a series of discounts and weatherization matching investments from utilities going from LIHEAP and weatherization network. Is it enough? No. Is it a great deal more than LIHEAP and weatherization alone? Absolutely.

The partnerships with the utilities are essential communications tools as well for finding out where there are going to be people in need, people at great risk, people shut off. The majority of States have some kind of leveraging arrangement, and a minority of States in the warm climate areas where LIHEAP is insufficient to be much of an attractive match—the exception is Texas, which has done a great deal in the course of its regulating its deregulation with discounts and weatherization. That is a generalized pattern, and LIHEAP is a terrific matching fund and attracts money.

The second one is a more daring set of experiments in four States, statewide, and in individual utility areas in other States, that essentially holds the percentage of income that a household

must pay to what the State considers a reasonable level, and that varies tremendously. That is almost like a baby Brook Amendment for public housing in that State.

Nevada, New Jersey, New Hampshire's electric system and Ohio, for all its fuels, are trying to keep the lowest income LIHEAP population at no more than X. It is 6 percent in a couple of those States and as high as 15 percent in Ohio. The rest is essentially subsidized by LIHEAP and the rate payers and other funding sources, if they can find them, in the States as they are adjusting those programs.

There is a rough justice to that. Indeed if, in fact, you could do this for everybody so that working households who are just over that eligibility line, when they get into trouble or when something happens, can also get that kind of protection, it is not even rough justice. It becomes a policy that could have tremendous support. It is not going to be possible for very small States. It involves a great deal of input from other rate payers in order to make this work, but it is a mix of State and Federal resources that could be the path.

To the extent the Federal resources can balance, rural areas can't do this well with rural electric coops, power authorities. Federal power authorities are very involved in investing in the northwestern States with the low-income population assistance and not in any other areas, and particularly not the Tennessee Valley Authority, unfortunately, yet.

There are good program models in which LIHEAP is not just used for emergency. In most States, you can't get more LIHEAP by not paying your bill than you could have gotten if you made your payments on time, and that works with the incentives that community action agencies like to provide to low-income, low-wage workers to build assets, to build their credit, and to work toward long-term stability.

There are a lot of models in there. We don't have any funding or leadership at the Department of Health and Human Services to share models, to communicate, train, and help the States with this kind of thing, and that would be very helpful in your oversight to put some responsibilities on the Federal administration of this block grant to help get the word out.

Senator DODD. Yes, that is a very good suggestion, and you want to be careful on resource allocation because the money is tight, but certainly requiring that.

Can you just give us an idea, what you just explained here, could you just if you have it in your mind, what does that mean? I mean, if we are talking about 16 percent of the eligible population nationally qualifying for LIHEAP, what do those numbers look like in some of the States that you have mentioned where the models are pretty good? Do they expand dramatically the numbers of people who are qualifying for LIHEAP or getting LIHEAP or getting energy assistance?

Ms. POWER. Not that I know of, but I would like to be able to check that with those four States particularly for the record. What it does is stabilize those people who are involved and who are engaged in the program.

Senator DODD. It sustains the program through a length of period of time.

Ms. POWER. It sustains the program. It sustains those households. Ms. Hussain was very eloquent in describing one of those kinds of incentive programs. It is not a PIP, but arrearage forgiveness is the most important thing because all of these statistics that we have given you, as wonderful as these forecasts may be, don't include old debt. The Department of Energy doesn't collect that. We use their numbers. People owe a whole lot more than this year's bill, and we gave you this year's bill numbers in our testimony and on our models.

The mountain of debt that is piling up on working households, even as they try and pay it off, is horrifying. There was a study by the credit card national association early in the year that found that 25 percent of households planned to pay for their energy on part or all on credit cards this winter.

Senator DODD. Well, do you know the median income in the United States, I think it is around \$43,000, median income. The average revolving debt in this country is \$9,000—excess of \$9,300, and most of that revolving debt, well over 95 percent of it is credit card debt and growing. And so, you are getting as a percentage of people's income, a staggering amount of consumer debt.

By the way, savings are at a negative rate as well. You get the combination of people unable to save—by the way, it is unable, not unwilling. Unable to save. The amount of consumer debt that is mounting, and of course, this is now with the housing foreclosure issue because a lot of people are taking out those second mortgages to do exactly that—to pay for home heating oil, to pay for credit card debt.

Of course, they now have obligations in excess of the value of their homes, as we have watched them now decline value by 10 percent, maybe 15 percent by next year. Putting people really under water here, and the problems just grow exponentially almost on a daily basis in this area.

I would be interested if you could, Doctor, these are some very important numbers. I think we would all like to know what is working and what could work better? To the extent that the organization could help us pull some of that data together, and I think a very worthwhile suggestion we would want to communicate to the department here as a way of examining these questions and making this work better and highlighting and communicating some of those ideas could be very worthwhile.

Ms. POWER. I would be happy to, Mr. Chairman.

Senator DODD. Would you do that?

Ms. POWER. Yes.

Senator DODD. Dr. Frank, in a sort of related question here, and I appreciate immensely your analysis of this in the context of what happens in terms of developmental issues in the 0 to 3 category and so we think beyond, and again, I think for most of us here in the room, you said it. I found myself going, "Yes, I knew that." The fact you just said it sort of brings it home that children are going to die of freezing before they die of hunger at that age.

I hear it. I guess we all know that, but it sort of startles us to hear it. Their health conditions and brain development issues are

critically important. I wonder if you have any thoughts on—you work with children on a daily basis, how do we do a better job of making these programs more accessible, making people more aware of them?

Obviously, there are limitations on what resources exist. I suspect from what you said here a lot of it is that people just don't even apply for this.

Ms. FRANK. Or when they do apply, they are told to come back another day because the lines are too long.

Senator DODD. Yes.

Ms. FRANK. The paperwork and so on. It is the line—I mean, you have to take a day from work and maybe drag along a sick baby and then queue outside what we call the ABCDs. And then told, after X number of people go in the door, “go away” because “I am sorry, we can't deal with anybody else today.”

That is a huge counterincentive. I mean, I don't think it is a lack of education, at least not the people—we very quickly tell people in our hospital. “Go. Go apply. Go to the ABCD.” The ABCDs are out by—they don't open until November 1, and they are out by January.

Senator DODD. Yes.

Ms. FRANK. If you go, it may be just too difficult to get through that day, and then by the time you can get back, they are out. It is very complicated. It is a good medicine, and it is hard to get it. When you get it, the dose is low. Although what stunned me was that the dose made a difference. This was, again, old data when LIHEAP at least paid for like a whole tank of oil.

Senator DODD. Yes. Well, I am going to be asking—Ms. Surber, you as well, and others, you have got to share with us some ideas on how we can do this more efficiently. I mean, it is very, very helpful to us, all of us here, even those who may be opposed to the program. I think to the extent we can get the funding for it, we would all like to see it work better and become more efficient in its application.

Ms. FRANK. Dr. Power told me a brilliant idea when we were talking before, which is why not qualify people for 2 years at a time, since they are not suddenly going to become much richer and ineligible. I thought, boy, that would save a whole lot of time.

Ms. POWER. That would mean that you approve a 2-year plan, and the legislation allows the State to submit and then have approved a 2-year plan. It is pretty simple.

Senator DODD. Yes, well, that is a good suggestion, a good idea. Any other ones like that that you have would be very worthwhile.

I wonder, Doctor, if there are any longitudinal studies that you have seen that deal with the achievement gap on this?

Ms. FRANK. It is very interesting that the surveys that ask about energy insecurity and the surveys that ask about child outcome are disconnected, and none of the longitudinal studies ask about either energy or housing security and long-term child outcome. They do ask about food security, but not energy.

Senator DODD. Yes.

Ms. FRANK. That is a real gap in our scientific knowledge. You can tell just in general that kids who are scoring in the delayed range at age 2 are just at exponentially more risk for flunking first

grade. I mean, whatever got them to that point, they are going to do worse later.

Senator DODD. Well, it is always one of the issues I find myself confronted with here over the years, and I know Senator Murkowski has probably encountered the same thing. We will go to our colleagues on one of these issues—and there are a series of them—and oftentimes, I find that people think we are talking about separate families. If I go and say, “Look, I am interested in the WIC program, and I am interested in LIHEAP, and I am interested in Head Start.”

They will say, “Look, I will tell you what. I will help you on the Head Start, and I will help you on the WIC, but I can’t help you on the LIHEAP.” I say it is the same family.

Ms. FRANK. Exactly.

Senator DODD. There is not a LIHEAP family and a WIC family and a Head Start family.

Ms. FRANK. Yes.

Senator DODD. And so, you are helping me on one side of them. You are taking money out of the other. Again, I realize we can’t do everything, but we need to understand this thing. I presume what we are talking about here, we are not separating out. We are talking about a family that is suffering. If there is an achievement gap associated with the heating question or cooling issue, I presume that same family has also got a food problem here, and a variety of other things. You are dealing with—

Ms. FRANK. In our data for babies, actually, more families are energy insecure than are food insecure—which has also surprised us. They are still unacceptably high. I mean, if you can count off five babies and say one of those is hungry, and you count off three and one of those is energy insecure, that is appalling in this country.

Senator DODD. Yes. Well, should we—how do you do this? Who is doing these studies that should be picking up on this?

Ms. FRANK. Well, N. Haynes, Early Childhood Longitudinal Survey. They are just not asking them—again, there is the SIPP, but they don’t ask about what happens. They don’t measure the children, and those that measure the children don’t ask about energy and housing. As far as I know, we are the only people who link those two levels of data.

Senator DODD. Yes, well, we can make that request. That is something we can get together up here and do a letter or something and make a request that they look at this—

Ms. FRANK. That would be good.

Senator DODD [continuing]. In a more comprehensive way. And last on this, on older children and adults—I know your specialty is 0 to 3. Are there any studies at all that indicate how this is playing out among older—

Ms. FRANK. Well, I can tell you clinically that kids with asthma, kids with sickle cell disease, cold triggers their illness, and so they end up in the emergency room. So does overheating and dehydration. They end up in the emergency room at \$1,000 a whack because they got so cold that they either started to wheeze or they got into a painful crisis. I don’t think anybody has studied it as systematically as we have for babies, but I can tell you clinically that

everybody—that the house staff will say, “It is cold tonight. We are going to be awfully busy.” And they are right.

Senator DODD. Well, again, that seems sort of self-evident.

Ms. FRANK. Yes.

Senator DODD. It is important to hear that testimony. Let me begin with you, Robin, thank you again for being here. Very eloquent. Congratulations on being a great grandmother, too.

It is a tough thing to appear before a congressional committee and talk about your life story, but you have done it with great dignity, and your story—I know we are all special, and individual stories are unique. I think you are probably well aware there are an awful lot of people who are in very similar situations, who work very hard and do their very best, and I have got a lot of confidence you are going to do fine. Those grandchildren are very, very lucky, indeed, to have you as a grandmother.

Ms. HUSSAIN. Thank you very much.

Senator DODD. I appreciate what you are doing. I guess I wanted to sort of ask you here as you have answered it, but maybe you just want to expound on it a little bit about how when you were forced to go without, I guess, having limited access to heating assistance, how did it affect your health? I mean, we obviously know how it can affect the children. We have talked about that. How did it affect you?

Ms. HUSSAIN. There were a lot more colds. When we couldn't afford to actually turn the heat up or I was actually getting really worried because the heating bill was so high, and that was kind of before I knew about LIHEAP and started to get my help, we doubled up on clothing. We wore thermals with a pair of jeans on top or with a pair of sweat pants on top. Double, triple blankets on the bed at night.

We did get colds. I have asthma. I have bronchitis. So it triggers it, like she said. David has severe asthma. Desiree has asthma. Alena is the only one that didn't, knock on wood. We get more visits to the doctor's. We get more visits to the hospitals, to the emergency rooms. If their treatments get too severe, then I have to bring them in, and they have to get the actual physical asthma treatment.

Very difficult. Winter season is very difficult. Colds, not always enough money to run to the corner store, but they weren't really sick enough quite just yet to bring them in to try to get the prescriptions for cough syrups and stuff like that, aspirins, fevers. Cold takes a toll.

Senator DODD. Were you using any of these alternative energy sources? The space heaters?

Ms. HUSSAIN. I had an electric heater, but I got really paranoid and scared because the kids at that time were a little bit younger. I was scared that they were going to go next to it, they were going to touch it, they were going to burn their hands.

What I would do is like I would kind of sit up, and when I had it on, I would put it on for a certain amount of time to try to warm up the room. And then when I found myself just getting tired, I would turn it off. Then I would go to sleep and wake up in the morning, and I would get up first and turn it back on. We would

get it nice and toasty in there, and then I would turn it off and put it up a little bit higher so that they couldn't touch it.

I never did the kerosene thing because I was just totally too scared of that. Yes, there were alternatives. Electric blankets. Then on that note of putting the electric heaters and the electric blankets on, then my electric bill went sky high. It was rob Peter, pay Paul that month, and back and forth.

Senator DODD. What are you doing now? I am sorry. What is your job now? Do you have a job?

Ms. HUSSAIN. My job now is taking care of them. Desiree, I just got in January. She came to the household in January. I am back and forth with her doctors. She sees a psychiatrist once a week. She has what is called medi-complex. She has ADHD. She has severe asthma. We go back and forth to that. We go to court appointments from DCF, and we go to doctor's appointments.

The other two children are in school. They are in first grade. There is not much you can do with a 6-hour day. I do as much as I can.

Senator DODD. You are doing pretty well. Doing pretty well.

Ms. Surber here, I just want to—tell me about just quickly, and make this fast, your efforts on making people aware in Tennessee of the program. What works?

Ms. SURBER. We do it in two ways. We require our contract agencies, our community action agencies, to develop outreach activities and to share those with us. Then through our department, we do quarterly news releases to remind people that this program is out there. Unfortunately, as some have already indicated, we are kind of only increasing the people who show up for assistance when our money has long since run out, and that discourages them from perhaps coming back the next year and applying for it.

Senator DODD. How about the bureaucracy issue that was raised here by Dr. Power and Dr. Frank—just these people showing up, long lines? How do we make it more efficient? How do we make it work better? Any thoughts on this, as someone who has to deal with it every day?

Ms. SURBER. We are still working on that.

Senator DODD. How about this idea of a 2-year deal? What is that—how does that strike you?

Ms. SURBER. As long as we work out the funding issue that my budget people would be comfortable with, that would help because we are seeing a lot of the same families every year. Like they say, they are on fixed incomes, and their incomes are not going to increase enough to put them out of eligibility for the program.

Senator DODD. Any other thoughts on making this, making people more aware that you would recommend to us here?

Ms. SURBER. Not at this time, but we are certainly working on that ourselves. We will share with you any ideas that we have.

Senator DODD. Thanks very, very much. I have taken a long time. I apologize.

Lisa.

Senator MURKOWSKI. Thank you.

Ms. Hussain, I want to echo the comments from Senator Dodd. Your testimony here this morning was beautifully stated, and you speak to the reality of a world where you can manage, well, lots

of other things. It sounds like you clearly have made great efforts to do just that, but you have no control over what is happening with your energy bills. It is something that is a basic need, and it is not as if you can shop better, as you say, or manage wiser.

Senator Dodd, as you have mentioned, in a world where people are adding onto their credit card debt to just kind of make it through the day-to-day and recognizing that we are seeing folks basically borrowing and putting it on the credit card to basically keep the heat on, this is a very serious, very real situation.

I, too, appreciate your story here this morning. I think it speaks to the very precarious nature that so many of our families face, whether it is in the colder States or in the warmer States. It is something that as well as you might be able to plan, there are some things you simply cannot get on top of.

It sounds like you got lucky in going to a counselor that set you up to allow you to take advantage of the benefits that were available through the energy subsidy. It is a situation again, I think, of making sure that individuals and families know that these opportunities are available.

I think we all recognize that the funding is the critical piece. If you don't have sufficient funding going to the program, you can't do what you need to do in Tennessee to meet all the needs, nor can you do it in Connecticut. I want to kind of go past the funding aspect of it and just acknowledge that we can do more, if we have more in the program.

Ms. Surber, you spoke a little bit to the formula aspect and, Dr. Power, in your written testimony, you indicate that you think the formula creates a major barrier to added funding because the coldest States reap so little additional reward from new appropriations. And you go on to suggest that the Secretary of HHS or CRS work to develop different options for the formula. Can either one of you speak to what you think might work?

Again, Senator Dodd is looking for good ideas. Is there something with the formula that, in your opinion, we can do that will enhance what we are able to do with LIHEAP?

Ms. SURBER. Just in thinking about looking at revising it, just updating the data, recognizing that each State has the different number of heating and cooling days, and taking a look at that, obviously. As I said, our winters aren't as cold as Connecticut's, but we turn around and have some extreme temperatures in the summer. Just taking all of that information into account, I think, would help.

Senator MURKOWSKI. Dr. Power.

Ms. POWER. I have been here through a couple of these, and it is not entirely clear whether either data or sweet reason determines the outcome. The current formula was negotiated between northeastern members of this committee and members from California and Louisiana, and it had a very different impact at the time it was put in place, which I think is 1986 because the population hadn't moved so far south.

The second- and third-tier formulas, the third-tier formula, which really determines how additional money goes out, is heavily weighted to population and energy consumption. The result now, because of the population shift, is that so little money would go to

Alaska. For \$1 billion, for a 50-percent increase, say, in the program, I think Alaska would get a 1 percent, less than 2 percent, anyway, increase.

Small, cold States that desperately need more LIHEAP funding are the ones like North Dakota and even Minnesota is not so small, Vermont, would also get a rather negligible share out of a very big increase. You will have worked out the expedient of some of it through the President's discretion and some of it through the formula.

Factors that take into account energy burden and take into account extreme weather could be balanced so that each State got a reasonable share of an increase. The question of what is reasonable we will leave in the hands of Congress and higher powers than ourselves. It is clear that the current is not reasonable. Looking at warm State funding, the gap to the need, the gap to the actual energy burden of households in most of the southern areas, there is not much difference between the burden of those eligible households or those households in poverty and the equivalent households in the Midwest.

New England and Alaska are the exceptions—

Senator MURKOWSKI. Let me ask you then on that. If we were successful in increasing the amount of funding to LIHEAP, and let us just say we are wildly successful in increasing the amount of funding. I want to be optimistic today. What you are saying is that if we don't address how it is disbursed through the formula, you will still have inequities in certain parts of the country. Is that correct?

Ms. SURBER. Well, warm States wouldn't think so. If you were wildly successful and the money went out through the formula at \$5 billion—I need to check my little computer runs—but Alaska would have a small increase, and Texas would have a, I think, 500 percent increase and Florida. I don't think they would think that that was not a success.

I think proportionately that is a problem for New England and Alaska and the northern-tier States. There would still be a lot more money in the system.

Senator MURKOWSKI. Is anybody collecting the data that you have referred to, Ms. Surber? Do we know that?

Ms. POWER. The heating degree day data are the Weather Service.

Ms. SURBER. Then NOAA has that.

Ms. POWER. The current population data certainly the census. It would be a good idea to be a little more foresighted than we were 20 years ago in thinking how populations are going to move and how quickly things might change and whether a stable system can be put in place.

Senator MURKOWSKI. For purposes of the funding formula for LIHEAP, you don't have an analysis in terms of what is coming in with the data? Yes, we can get the weather data, and we can get the census data. That is nice. But in terms of how you can provide for equities within the system in terms of available funds, we are not collecting the data in that manner?

Ms. POWER. It is a matter of weighting those factors—population, weather, and cost of energy. Those are judgment calls, but the rea-

son we recommended HHS, CRS, some relatively impartial and respected organization in the Government is they could play with different weights and show the alternatives and how they come out?

Senator MURKOWSKI. Well, just in the weighting—and I will direct this to you, Dr. Frank. So you have got a population, let us take Alaska, where you have a higher percent of individuals below the poverty line. You theoretically have more children at risk. You have got factors that compound that with nutrition—should that be something that is factored in, aside from just weather and population? Because if we are talking about putting at risk developmentally a greater portion of that population on a per capita basis, isn't that something that we should be looking at?

Ms. FRANK. Well, I guess through my lens, as a developmental pediatrician, I absolutely agree that you have to think of this as a, as I said a child health program, a child development program. You don't want to make anybody worse because everyone is bad enough already.

I guess that is a silly thing to say in this kind of setting. I think you do need to look at populations at risk not just because of temperature and cost, but because of other risk factors because it all forms a kind of net that tangles up children—housing, food, energy. So, yes, I agree.

I mean, except I am probably outside of my field.

Senator MURKOWSKI. I will ask you one quick question and then defer to my colleague, Senator Reed. You have mentioned that children that are exposed to the cold at the very early years are at developmental risk. Is that also true if they are subjected to heat exposure? I don't have a lot of familiarity with heat.

Ms. FRANK. Well, if you have full-blown heat stroke, absolutely.

Senator MURKOWSKI. That will cause developmental delays?

Ms. FRANK. It could cause really serious brain damage. In terms, I think, remember that learning is a discretionary activity for little kids. They only learn when they are warm and happy and clean and comfortable, and then they go out and unpack your kitchen cupboard or whatever it is that they do to learn.

If you are so hot that you are miserable or you are so cold that you are miserable, even if you are not about to die of it, you are not learning. And the same if you are hungry. If you are hungry, what you do is you kind of shut down. So you are not—you are what is called—you functionally isolate yourself from learning opportunities. In a little child, that is disastrous.

Senator MURKOWSKI. Thank you, Mr. Chairman.

Senator DODD. Those are great questions, and they are very poignant questions. That is, we have got to take a look at these formulas again, obviously, here with the changes that have occurred in the last 20 years. If Jack is successful with this amendment we all offered here, the irony would be that we are successful in getting some additional funds and then find out they are marginal increases for very affected populations. We ought to talk about that and how we approach this.

Senator Reed.

Senator REED. Well, thank you, Mr. Chairman, and thank you, Senator Murkowski.

I want to just publicly announce I am going to shamelessly expropriate all of your testimony with attribution when we argue for increased funding because it has been excellent. Thank you very much. It has hit so many different facets of this important issue.

I think just a comment. I think our success in getting more funds is probably inversely related to talking about formula changes. That is—but we will do that. First, let us get the money because I think we will all agree with additional resources, we can fulfill at least our obligations to all the States.

It raises an issue, too, with—Ms. Surber, I think the perspective of the State officials is that they can't see any more cuts, that they at least have to have the same amount of money going forward. If we talk about any changes, we would have to at least provide the same amount of funding that the States are getting now. Is that a fair point?

Ms. SURBER. Most certainly.

Senator REED. Yes, ma'am. Dr. Power, I was very struck by your chart four that talked about the energy burdens, and it seems to be located principally in the Northeast and Midwest, and that, of course, sort of triggered discussion of the formulas. What are the factors that go into that energy burden, and how are they recognized in the formulas?

Ms. POWER. The factors in the energy burden are really simple—expenditures divided by income, and they are projections based on a reasonable model. And the formula, the underlying formula is now grandfathered and had a lot to do with prices. In the second- and third-tier formulas, the population is the 125 percent of poverty and poverty populations and their projected energy prices kind of expenditures.

The important thing about the program is that the benefits are supposed to vary, and generally do, with expenditures and burden—with expenditures and income, I mean. That burden determines your benefit, which is very helpful targeting. It takes a little bit more administrative cost to get it right, but it means money goes to the right people.

Those pieces don't all come together in one formula in the program. I'm not answering fully your question with a full-blown proposal. I am sorry.

Senator REED. No, but I mean, you have raised critical issues of every program we run, which is not just the top line, but is it targeted and what is the measure that we are applying? The measure would be essentially—and correct me if I am wrong. I very well might be. It is really sort of the out-of-pocket cost to people to fill up their tank either with gas or with heating oil or with electricity. Is that fair?

Ms. POWER. Not so much the cost as in proportion to income, yes. As you pointed out, that chart shows that propane and fuel oil this year and last year, if I had last year's chart, are where the crisis in terms of the highest energy burden, and often they are. In 2006, when LIHEAP suddenly went to \$3 billion because of your leadership, that was a natural gas crisis. Because 60 percent of households use natural gas, 50 percent of the poor heat with it, that was widespread and every region recognized it, that that graph would have looked a little different at that time.

The graph that shows regional burdens shows that none of your States—but the Midwest burdens, which we know are high, are just pretty much the same as southern burdens, as the whole southern tier for some reason, until you get to the Southwest. It may be that DOE hasn't caught up with rising energy costs in the Southwest. You never know. It is a little bit off, not quite the national average.

The Midwest and the South aren't that different in terms of the relationship between energy expenditures and income. The reason is incomes are much lower in the South, less expenditure, less income to bear it.

Senator REED. Right.

Ms. POWER. That is the sense of injustice is real, and it is based on energy burden.

Senator REED. One of the complicating factors here, too, is there are other complementary programs. I think it was discussed by Ms. Hussain, who the gas company provides incentives to provide support, etc. To get sort of a definitive kind of measure of how a family is doing, it would have to somehow at least appreciate that, maybe not factor in a formula. That varies, I am sure, State by State, county by county, city by city.

Ms. POWER. It would be terrific to provide an incentive for more.

Senator REED. Oh, I think so. An incentive for the private and public utilities to be much more helpful.

Let me ask Ms. Hussain, you pointed out you found this out from your brother sort of coincidentally, which suggests to me we have to do a lot more outreach. Is that your impression?

Ms. HUSSAIN. Definitely. Had I not heard from my brother, I probably would have continued to not know about LIHEAP and its programs and never gone into CRT and never found out that they have so many other programs that they offer. Getting the information to people, I think, can save people's lives and their health.

I had a few suggestions that I had thought of. Possibly every one of us gets a utility bill in the mail. We all open an envelope. How about putting it on the back of the envelope or perhaps in an insert? How about having more information with the 211 info line with our grandparents' navigator system, with the elderly meetings and stuff that we go to, and we help them with their services and their bingos and help those providers come out with some information that could possibly be passed on during some of their activities.

I have a lot of—

Senator REED. Those are all excellent ideas.

Ms. HUSSAIN. The kind of ideas that just might get more of the information out there, billboards, public service messages, sides of buses. Heck, we walk by corner stores. Even posters for corner stores. You know, you are having difficulty paying your heating bill this winter? Don't freeze. Have a number there.

Just different ideas if I had known.

Senator REED. Well, thank you.

Ms. Surber—all excellent advice—but I am always sort of troubled by the dilemma that you are in, which is you don't have enough money for all the people who come in. Additional outreach

might be raising false expectation. Is that part of it, do you think, in terms of why there is not more aggressive outreach?

Ms. SURBER. I think it has been. I think a year ago, we sat down with all of our community action agencies and talked about this very issue because I was getting calls that when I would say, "Well, go sign up for LIHEAP," these callers would say they had never heard of it.

We talked about doing that, and that was one of the agency's fears, having then a groundswell of people coming in and having to raise those false hopes and saying, "Well, we will take your application just in case some more money becomes available later." It is very discouraging to those people who came in thinking this is going to be my life-saver today, and it didn't turn out that way.

Senator REED. Well, I think if we are fortunate in raising the top line, that might be an appropriate way to sort of help ask for more outreach, but I appreciate the dilemma that you front-line service folks are faced with.

Dr. Frank, finally, your research has been very impressive. Have you quantified—because this is so often an effective way to get the point across—quantified the loss? LIHEAP funding goes down, we incur X additional cost with respect to children over their lifetime? Is there any discussion—

Dr. FRANK. I think the only thing we could do quickly—although my colleague, Dr. Cook, who is here today, is an economist, and he could do the more complicated analysis. You could say, "OK", if not having LIHEAP increases 30 percent the risk that a little kid is going to have to come into an emergency room—you could quite much say to the hospital to be admitted—you can calculate how much that is going to cost the healthcare system.

In general, it costs the public healthcare system in these cases because these are kids who are all income-eligible for some sort of public healthcare. They are not privately insured. It would not be hard to say, even assuming that it is only 15 percent, you could save a huge number of healthcare dollars if you adequately funded LIHEAP.

I just wanted to add to what Ms. Hussain said. There has also been a movement to have single applications for food stamps and health insurance, and if you could simplify it so that there is one application. Also to outpace people to places not only as you mentioned, but to hospitals. Just the way you say go down the hall to the pharmacy, you say go down the hall to the benefits office. That would be a way of reaching clearly the highest need, sickest population.

I would point out in our study, LIHEAP was targeted to families with low-birth weight babies.

Senator REED. Well, thank you, Dr. Frank. Thank you all. Thank you, Mr. Chairman.

Senator DODD. Thank you, Senator Reed, very, very much. I think the important point we talked about is the formulas, but obviously the most important thing is getting additional dollars to get to all States as well. That would be our first order of business here.

Lisa, do you have any other questions you want to ask?

Senator MURKOWSKI. No, thank you.

Senator DODD. Well, this has been very, very helpful. Excellent, excellent testimony and it will help us to make our case in the coming weeks here for additional support for the program. You have made a very strong case. Each one of you have made a very significant, worthwhile contribution to this. I appreciate that.

I will keep the hearing record open. Some of our colleagues who were not here this morning may have some additional questions for you. We will leave that open for a few days here so they can be submitted. We ask you to respond as soon as you might have the chance to do so, so we can complete the record.

I thank all of you very much, I thank my colleagues.

The committee will stand adjourned.

[Additional material follows.]

ADDITIONAL MATERIAL

PREPARED STATEMENT OF THE PETROLEUM MARKETERS ASSOCIATION OF AMERICA (PMAA), THE NEW ENGLAND FUEL INSTITUTE (NEFI) AND THE INDEPENDENT CONNECTICUT PETROLEUM ASSOCIATION (ICPA)

Chairman Dodd and members of this subcommittee, thank you for allowing the Petroleum Marketers Association of America (PMAA), the New England Fuel Institute (NEFI) and the Independent Connecticut Petroleum Association (ICPA) to submit testimony today. PMAA is a national federation of 46 States and regional trade associations representing some 8,000 independent fuel marketers that collectively account for approximately half of the gasoline and almost all of the distillate fuel consumed nationwide. PMAA marketers deliver the majority of the vital heating fuels that keep American families warm and businesses running. NEFI is a nationally recognized organization of nearly 1,100 independent oil heat, propane, biofuel and motor vehicle fuel dealers and associated companies.

The ICPA represents 542 members and their more than 13,000 Connecticut-based employees who sell at retail over 700 million gallons of heating oil and 1.6 billion gallons of motor fuels to Connecticut's citizens. ICPA's member heating oil retailers provide services to the State's 26,000 LIHEAP customers with oil heat and work closely with the Connecticut Association for Community Action [CAFCA], who represents the community action agencies in Connecticut as well as Operation Fuel, the provider of fuel bank fuel assistance in Connecticut.

Heating fuel marketers have an intimate and unique relationship with their customers and communities that utilities do not share. Furthermore, most fuel dealers are small, second and third generation family owned businesses providing not only heating fuel, but also technical service, vital energy efficiency consultation, and related heating and weatherization equipment to their customers.

INCREASING ENERGY COSTS

Rising energy prices have made the cost of home heating an increasingly heavy burden to bear. Our Nation's low-income families and the elderly are hit the hardest; sometimes faced with the choice between paying their heating bills and providing other essentials such as food, medicine and warm clothing. Because of their close relationship with their customers and communities, our member dealers and service companies see this need first hand, and for this reason we continue to be steadfast supporters of the Federal Low Income Home Energy Assistance Program (LIHEAP); a program that has been critical in helping those citizens who need it the most.

INADEQUATE LIHEAP FUNDING

PMAA, NEFI and ICPA support a fully funded LIHEAP program authorized by the Energy Policy Act of 2005 at \$5.1 billion. Unfortunately, the president's budget for fiscal year 2009 reduces the LIHEAP budget by 22 percent from \$2.57 billion to \$2.0 billion, reducing the block grant from \$1.98 billion to \$1.7 billion and the emergency contingency fund from \$590.3 million to \$300 million. Due to insufficient LIHEAP funding, the Federal Government asks States to find ways to provide heating assistance to low-income families.

LEVERAGING PROGRAMS/MARGIN-OVER-RACK PROGRAM (MOR)

As part of the 1990 LIHEAP reauthorization bill, Congress included language encouraging States to "leverage" better prices for customers participating in LIHEAP. States that are able to leverage better energy prices for those enrolled in their energy assistance programs in turn qualify for more Federal LIHEAP dollars. In a growing number of Northeast States, leveraging programs targeting the heating oil—and propane—industry have surfaced due to insufficient LIHEAP funding. These programs vary, but most are discount of margin-over-rack (MOR) or discount-off-retail (DOR).

The margin-over-rack (MOR) program encourages companies to take a hit on their already marginalized bottom lines above their "rack" or wholesale fuel price. The contract is given to the company with the lowest profit margin, and interferes with dealer-customer relationships, many of whom are decades old. The (MOR) program pays fuel dealers the lesser of either a set margin per gallon or their regular retail price on the date of delivery. For example, in Massachusetts (1991–2000), the margin was 25 cents per gallon; in 2000 the State raised it to 28.5 cents per gallon. Vendors had requested the higher margin due to their increased operating costs. The MOR concept is based on the fact that oil vendors base their per gallon retail

price on a margin added to their terminal or “rack” price. Each vendor’s margin is different due to variances in operating costs associated with delivery of the product, local competition, and other factors.

SMALL BUSINESS HEATING FUEL DEALERS ARE HURT BY MARGIN-OVER-RACK

Margin-over-rack and discount-at-retail puts at risk the ability of small business deliverable fuel dealers to remain competitive and profitable, particularly as they compete against rate-payer subsidized electric and natural gas monopolies. It also puts them at odds with the fuel assistance programs they have supported for decades. These programs, on their face, force fuel dealers to create a separate and distinct class of customers, who, due to government mandate, are treated differently from all other customers.

This differentiation forces dealers to absorb additional administrative costs—necessary only due to the MOR and DOR mandates—to handle these customers.

LIHEAP has never paid the entire fuel bill for the recipient. On average, it pays all but 50 percent of the household fuel cost. Given this shortcoming, mandated MOR and DOR will in many cases force the customer to either:

- Switch the entire account to a new fuel provider, thereby interfering with a dealer-customer relationship that is often decades old or,
- Force the customer household to deal with TWO DIFFERENT FUEL COMPANIES IN THE SAME HOUSEHOLD. Such an arrangement can and will lead to mistaken deliveries, overfilling of tanks (and spills) because Company A has no way of knowing if Company B has delivered, or disputes over what money is paying for what fuel.

REGULATED UTILITIES CAN WITHSTAND MARGIN-OVER-RACK PROGRAMS

Utility energy providers such as natural gas and electric companies are able to build the costs of these leveraging activities into their rate bases; by applying a minimal rate increase across their entire customer base they are able to pass the costs along. Utilities, which are large businesses that operate with little or no competition, can afford to—and do—pass on this expense to non-LIHEAP customers. Deliverable fuel dealers and marketers are not utility vendors, and as such, cannot pass these costs along to the rest of their customers. Doing so would jeopardize their ability to remain competitive and harm families that also struggle with heating costs but are ineligible for LIHEAP assistance. In States with aggressive leveraging programs, many deliverable fuel dealers have had to withdraw from State energy assistance programs; to the detriment of their predominately low-income customers. For example in Connecticut, where dealers are paid 31 cents over the New Haven average rack on the date of delivery, more than 200 (of 350) dealers have withdrawn from the State program in the last 2 years, and in parts of the State Community Action Program (CAP) agencies have had difficulty finding dealers and have had to look to Massachusetts dealers to deliver fuel. LIHEAP is the only Federal low-income assistance program to offer financial incentives to States that require discounted prices for low-income residents. There is no leveraging program for food stamps, for example, where States are encouraged to require grocery stores to discount items for sale to low-income customers.

SOLUTIONS TO MARGIN-OVER-RACK PROGRAMS

PMAA, NEFI and ICPA believe the Federal leveraging statute must be corrected to welcome dealers back into LIHEAP rather than turning them away. We recommend that one of the following corrections be made to the leveraging statute:

- Remove the leveraging requirement completely;
- Discourage Margin-over-Rack (MOR) programs, which are causing a decline in fuel dealer participation in LIHEAP and hurting low-income Americans;
- Introduce and encouraging simple Discount-off-Retail Price (DOR) programs for heating oil, kerosene and propane;
- Encourage the use of existing dealer pre-buy, cap and fixed price programs, and thereby discourage the creation of a distinct class of customer because the customer uses the LIHEAP program;
- Encourage leveraging options that are not prejudicial to dealers with long-standing customer relationships. For example, attempts by State programs will sometimes “bid out” the LIHEAP block of fuel sales. This interferes with dealer-customer relationships that are in many cases decades old; and
- Restrict leveraging programs to only State regulated utilities that engage in cost recovery through public utility ratemaking procedures.

Our Recommendations Will:

- Increase dealer participation in State LIHEAP programs, or at a minimum, mitigate the decline in heating fuel dealers willing to support the program.
- Provide incentive for dealers who have historically been strong supporters to continue to support the program. Ensure continuity of service between dealers and customers with long-standing supply relationships caused by “bidding out” the LIHEAP portion of household fuel use to outside suppliers.

CONCLUSION

Again, PMAA, NEFI and ICPA would very much like to thank the subcommittee for the opportunity to submit testimony today. With heating oil prices at all time highs, small businessmen and low-income families will continue to feel the pinch. We would greatly appreciate the chance to testify before the subcommittee in future hearings to address the problems associated with MOR programs.

PREPARED STATEMENT OF THE NATIONAL ENERGY ASSISTANCE DIRECTORS' ASSOCIATION

The members of the National Energy Assistance Directors' Association (NEADA), representing the State directors of the Low Income Home Energy Assistance Program (LIHEAP) are pleased to present this testimony on the role of LIHEAP in meeting the heating and cooling needs of some of the nation's poorest families. The members of NEADA would like to first take this opportunity to thank the members of the committee for their continued support in working to increase funding for LIHEAP.

By way of background, there are four components to the LIHEAP program:

- Block grant providing formula grants to States to help low-income families pay their heating and cooling bills.
- Emergency contingency funds that can be released by the Administration for a number of reasons including natural disasters, rapid increases in home energy prices, high unemployment rates, and other economic conditions.
- Residential Energy Assistance Challenge (REACH) grant providing competitive discretionary grants to States to develop new strategies to assist households in reducing their home energy burden.
- Leveraging grants providing States with additional incentives to raise non-Federal funds for energy assistance.

In addition, the law authorizes the appropriation of advance funds 1 year before the start of the program year in order to allow States to plan for the design of their programs. This is especially important in years when the appropriation for the Federal fiscal year is delayed and cold weather States have to start their programs without knowing the final appropriation level. As a result, States sometimes have to revise their program benefit and eligibility levels several times during the course of the program year, until a final appropriation level is reached. This can cause considerable delay and confusion in the delivery of program services as well as additional administrative costs.

AUTHORIZATION AND APPROPRIATIONS LEVELS

The LIHEAP appropriation level for fiscal year 2007 was \$2.1 billion of which \$1.98 billion was for the block grant and \$181 million was allocated for emergency contingency funding. Of the amount provided for the block grant grant, \$27.3 million was set-aside for REACH and leveraging. No advance funding was appropriated.

For fiscal year 2008, the appropriation level provides the same amount for the block grant and increases the emergency contingency funding level by \$408.6 million from \$181.5 million to \$590.3 million. As in fiscal year 2007, no advance funding was appropriated.

The President's Budget for fiscal year 2009 would reduce the LIHEAP budget by 22 percent from \$2.57 billion to \$2.0 billion by reducing the block grant from \$1.98 billion to \$1.7 billion and the emergency contingency fund from \$590.3 million to \$300 million.

The impact on low-income households would be severe. States would have few choices but to either reduce the share of home heating costs covered from 36.3 percent to 28.2 percent or the number of households served by 1.2 million from 5.7 million to 4.5 million. The Budget recommendations are very disappointing in light of continued high home energy prices and reports of rising arrearages and shut-off rates across the country.

The authorization level for LIHEAP was increased from \$2 billion to \$5.1 billion by the Energy Policy Act in fiscal year 2005. The act also continued the authorization level for emergency contingency funds at \$600 million. The program's authorization expired at the end of fiscal year 2007. The following table compares the current block grant funding level by State with the authorized funding level of \$5.1 billion.

ELIGIBILITY CRITERIA

LIHEAP allows States to set eligibility at the greater of 150 percent of the Federal poverty level, or 60 percent of State median income. In fiscal year 2007, 150 percent of the Federal poverty level for a family of four was \$30,975. In practice, most States target funds to lower income families.

More than 70 percent of families receiving LIHEAP have incomes of less than 100 percent of the Federal poverty level (\$20,650 for a family of four) and 44 percent have incomes of less than 75 percent of the poverty level (\$15,488 for a family of four).

State agencies generally contract with non-profit agencies to conduct outreach and sign-up activities. The application process is relatively straightforward. Most States require only proof of income and a copy of an applicant's most recent utility bills. Generally, asset tests are not required and some States now allow applications by mail.

HOUSEHOLDS SERVED

The number of households receiving assistance has been rising rapidly. This reflects a significant rise in home energy prices and in the numbers of low-income households. Since 2002, the number of households receiving LIHEAP heating assistance has increased from 4.2 million to an estimated 5.7 million in fiscal year 2007. Even at this level, the program is only able to serve 15.6 percent of eligible households. The majority of households have at least one member who is elderly, disabled or a child under the age of 5.

Families receiving LIHEAP assistance carry a higher energy burden than most Americans—spending on average about 15 percent of their income on home energy bills, as compared to 3.4 percent for all other households. Many of these households also have at least one member who is disabled (43 percent) or elderly (41 percent).

USES OF FORMULA GRANT FUNDS

LIHEAP is a block grant providing grantees with considerable flexibility delivering program services. In designing their programs, States are allowed to set-aside up to 10 percent of their allotment to cover administrative costs, up to 15 percent of program funds (25 percent with a waiver from the U.S. Department of Health and Human Services) to support weatherization activities and up to 5 percent to support activities that enable households to reduce their home energy needs, including needs assessments, counseling, and assistance with energy vendors to reduce the price of energy.

On average, States set-aside 10 percent of their block grant to support weatherization activities. These funds complement program support provided by the Weatherization Assistance Program

(WAP). Weatherization assistance can include insulation, appliance and furnace repair and replacement and related health and safety measures. A weatherized home can use up to 30 percent less energy than a comparable home.

States are also required to set-aside "a reasonable amount" of funds to be used until March 15 of the program year for energy crisis intervention. These interventions are defined to include households that need additional assistance to address life-threatening situations including shutoffs due to non-payment.

PROGRAM APPROPRIATIONS

The distribution of formula grant funds is based on a complex formula that provides that no State beginning in fiscal year 1986 will receive less than the amount of funds it would have received in fiscal year 1984 if appropriations for fiscal year 1984 had been \$1.975 billion. Fiscal year 1984 funds were distributed to States on the same share of funds they received in fiscal year 1981 under the predecessor program to LIHEAP, the Low-Income Energy Assistance Program (LIEAP). The fiscal year 1981 allotment percentages were derived from an extremely complex formula that included such factors as heating degree days squared, home heating expenditures, total residential energy expenditures, and the population with income equal to or less than 125 percent of the poverty income guidelines.

The law also provides that when the LIHEAP block grant appropriation exceeds \$1.975 billion (only in fiscal year 1985, fiscal year 1986 and fiscal year 2006), not including \$27.5 million in other program set-asides, funds are allocated under a complex formula that includes cooling as well as heating degree days and a small State minimum allocation.

LIHEAP is not an entitlement program like Medicaid providing a minimum benefit level of health care coverage for eligible households. When the number of households receiving Medicaid increases, for example, the appropriation is automatically increased to guarantee the same benefit level for all recipient households. In the case of LIHEAP, however, when energy prices increase, the purchasing power of the LIHEAP benefit is reduced; when the number of households receiving assistance is increased, the average benefit is reduced. This is the situation the program is currently facing.

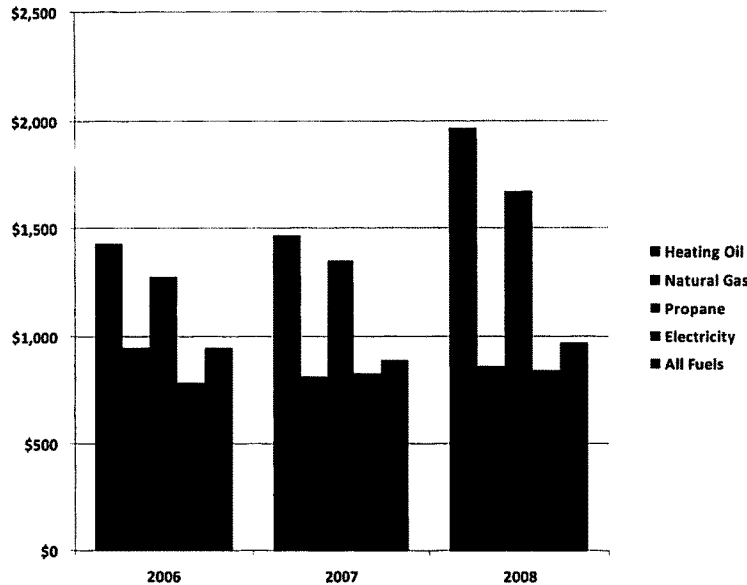
DECLINING PURCHASING POWER

As everyone knows, energy prices have been rising. While the number of households receiving LIHEAP has been relatively stable at about 5.5 million households or 15.6 percent of the eligible population since fiscal year 2006, the average Federal LIHEAP appropriation grant has decreased from \$464 to \$378. This would not be a problem if energy prices were decreasing proportionally.

Est. Change in Households Served & Average Grant (FY 06–FY 08)

Fiscal year	Appropriation (in thousands)	# of Households (in thousands)	Average grant
2006	\$3,162,000	5,521	\$464
2007	2,186,000	5,507	322
2008	2,570,000	5,507	378

Unfortunately, energy prices are remaining at very high levels. Home heating prices are projected by the U.S. Energy Information Administration (EIA) to reach almost \$1,000 this year for the typical family, an increase of 9.3 percent since last year. As a result, there has been a significant decrease in the program's purchasing power.

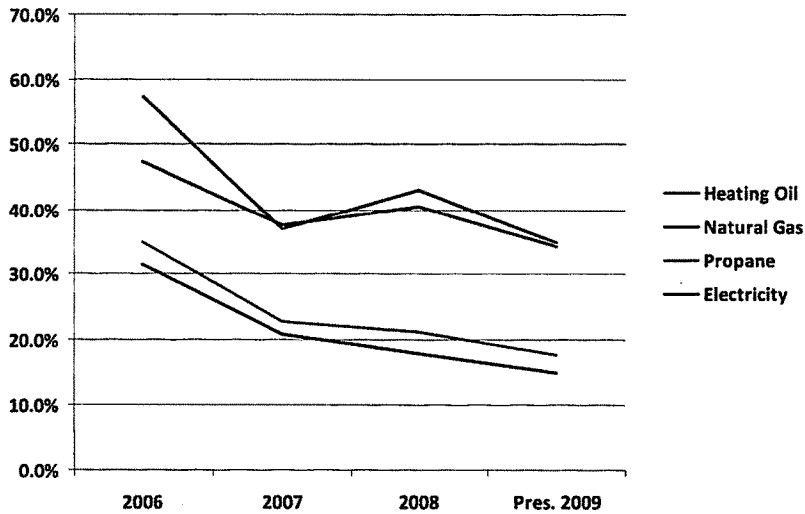


Between fiscal year 2006 and fiscal year 2008, the average LIHEAP grant as a percentage of total home heating costs declined from 32.4 percent to 19.3 percent for heating oil, 49.1 percent to 44.1 percent for natural gas, 36.2 percent to 22.6 per-

cent for propane and 59.3 percent to 44.9 percent for electricity. The increase provided for fiscal year 2008 has helped to offset the decline, however, the share of expenditures covered continues to be inadequate to meet the need.

Under the President's FY 2009 Budget, the decline would continue, assuming energy prices remain at current level, with the average grant declining to 34.9 percent of total costs.

Est. % of Home Heating Purchased with LIHEAP (FY 06-FY08, President FY 09)



Fiscal year	Heating oil (percent)	Natural gas (percent)	Propane (percent)	Electricity (percent)
2006	31.3	47.4	35.0	57.3
2007	20.8	37.6	22.6	37.1
2008	17.8	40.6	21.2	43.1
President 2009	15.0	34.3	17.6	34.9

The increase in the price of delivered fuels—heating oil and propane—is of special concern to the States because they have fewer controls over the pricing and delivery of these fuels than they do over natural gas and electricity. The U.S. Energy Information Administration has projected that the price of home heating oil will increase from the 2006–07 heating season by \$532 (37.2 percent) to \$1,962 and for propane from \$1,281 to \$1,670 (30.4 percent).

A tank of heating oil, for example, now costs about \$900, more than half of the total monthly Social Security payment for the average aged couple and almost the entire monthly income for an aged widower living alone. The 2008 average increase in Social Security is only about \$24 a month, less than the amount needed to pay for the increase in home heating oil this year.

Low-income families using heating oil this winter are facing a difficult situation. This is specially true for those on fixed incomes including the elderly and disabled. I do not expect the situation to change anytime soon.

The situation for natural gas is quite different. Prices are set domestically and have been increasing at a much slower rate. For example, the average cost of home heating with natural gas is projected at \$858 for the current winter heating season, about \$45 more than last year and \$1,104 less than the cost of home heating oil.

OUTLOOK FOR FISCAL YEAR 2008

The increase in emergency contingency funding provided by the Omnibus Appropriations Act will help States adjust benefit levels to pay for higher heating and

cooling costs. Yesterday's release of funds will provide needed help to offset the impact of higher energy costs this winter.

The States are concerned that the increase will not be sufficient to meet the growing need for energy assistance and offset the impact of higher energy prices. We are currently conducting a survey of the States and the reports are grim. The States are serving about 15.6 percent of eligible households. State directors believe that the percent served needs to be increased to at least 25 percent of the eligible households to help offset the growing affordability gap as prices increase faster than the rate of income.

ARREARAGES AND SHUT-OFFS

One indicator of the rising need for energy assistance is the increase in arrearages and shut-offs. The National Regulatory Research Institute, for example, in a recent report found that past-due gas utility accounts rose from 16.5 percent in 2001 to 21 percent in 2006. Last spring, in a survey conducted by NEADA, States reported that 1.2 million households were cut off from natural gas and electric service due to nonpayment of their energy bills. Several States reported significant increases in arrearage and shut-off rates from previous years. In addition, we are also learning that traditional arrearage management programs that provide matching payment programs to help families reduce their outstanding debt are becoming less and less effective. States are reporting that families increasingly do not have the resources to meet matching payment requirements and as a result are at greater risk of shut-off.

SUPPLEMENTAL FUNDING

Many States, in partnership with their local utilities, also provide supplemental funding through direct appropriations or by creating system benefit funds, which are small charges against the utility rate base that are used to provide discounts and arrearage protection programs. In addition, utilities have also taken steps to provide low-income families with additional time to pay their bills by providing flexible payment arrangement and in many cases actively supporting State efforts to develop system benefit funds.

The combined total of State, utility and charitable giving was about \$3.2 billion in 2006 with charitable giving being the smallest amount at about \$140 million annually. It is important to note, however, that these State, utility and charitable funds are no substitute for adequate Federal funding. The level of support varies considerably with only 12 States accounting for 83 percent of the total non-Federal spending on energy assistance.

WHAT HAPPENS WHEN FAMILIES DO NOT HAVE SUFFICIENT FUNDS TO PAY FOR HOME HEATING OR COOLING? RESEARCH FINDINGS

Funding provided by the appropriations committee has allowed us to conduct surveys of families receiving LIHEAP assistance. Among the findings of our last survey:

- 44 percent said that they skipped paying or paid less than their entire home energy bill in the past year. Households with children (67 percent) and those with income below 50 percent of the Federal poverty level (62 percent) were more likely to do so.
- 30 percent reported that they received a notice or threat to disconnect their electricity or home heating fuel. Again, households with children (51 percent) and those with income below 50 percent of the Federal poverty level (51 percent) were more likely to experience this problem.
- 8 percent reported that their electricity or gas service was shut off in the past year due to nonpayment of utility bills. In addition, 16 percent of households with children and 22 percent with income below 50 percent of the poverty level reported a service termination in the past year.
- 18 percent said that they were unable to use their main source of heat in the past year for reasons ranging from their heating system was broken and they were unable to pay for its repair, they ran out of their bulk fuel and could not afford to pay for more, or because their utility used for heat was disconnected. Households with children (27 percent) and households with income below 50 percent of the poverty level (36 percent) were more likely to face this problem.
- 13 percent reported that broken air conditioners or termination of electric service prevented them from using their air conditioner. Households with a disabled member (19 percent) and households with children (19 percent) were somewhat more likely to report this problem.

PUBLIC HEALTH CONSEQUENCES OF UNAFFORDABLE ENERGY

Unaffordable home energy presents a threat to public health and safety directly in the following ways:

- Households respond to high bills, arrearages, or worries about incurring high costs, by choosing not to heat their homes adequately in winter or cool them during the summer, or by using unsafe means to heat or illuminate their homes, for example, heating with a kitchen oven or barbecue grill or lighting by means of candles. Utility service shutoffs directly threaten health in this manner. In addition, when homes in poor structural shape need weatherization, it may be prohibitively costly or impossible to keep interiors within a safe temperature range.

- Lack of access to energy assistance also threatens health indirectly. The squeeze put on home budgets by high utility bills and the threat of shutoff leads households to make difficult trade-offs, purchasing heat or electricity for air-conditioning instead of food or medications. In northern States, for example, poor families with children spend less on food, and children eat fewer calories, compared with higher-income families (Bhattacharya et al., 1993). Poor seniors in the north are also more likely to go hungry in late winter and early spring, while seniors in the south, where energy bills for air-conditioning can be high, are more likely to go hungry in late summer (Nord and Kantor, 2006).

- Seasonal differences in heating and cooling costs explain much of the difference in hunger prevalence for low-income households with school-aged children. Young children from families that are eligible for but not enrolled in energy assistance are more likely than children from families receiving LIHEAP to be small for their age (underweight) and more likely to need hospital admission on the day of a health care visit (Frank et al., 2006).

- Researchers from the Children's Sentinel Nutrition Assessment Program (C-SNAP) at the Boston Medical Center, conclude that "the health consequences of trade-offs in spending can be serious especially for the youngest children. The first 3 years of life are a uniquely sensitive period of extraordinary brain and body growth; the cognitive and physical development that takes place at this stage will never occur to the same degree again. Babies and toddlers who live in energy insecure households are more likely to be in poor health; have a history of hospitalization; be at risk of developmental problems and be food insecure."

REAUTHORIZATION RECOMMENDATIONS

The members of NEADA recommend that the following policies be adopted to strengthen and maintain the current program by:

- Increasing the percentage of eligible households served from the current rate of less than 20 percent to up to 40 percent by maintaining the current authorization level of \$5.1 billion.

- Maintaining the current program block grant structure that allows States to develop new and innovative ways to stretch available program resources, including the use of prepurchase programs, negotiating discounts with vendors and arrearage forgiveness programs.

- Continuing to limit the use of the LIHEAP funds for purposes other than grant assistance. NEADA members believe that funds should not be increased for other purposes including Assurance 16, Weatherization Assistance and REACH demonstration grants, until there are sufficient funds available to meet the core need for grant assistance.

- Encouraging State public utility commissions to collect arrearage and shut-off data and making that data available to HHS and the Congress to help document the need for the release of emergency contingency funds. This data could serve as an indicator about the need for emergency funds to meet potential affordability crises.

- Endorsing raising the Secretary's training and technical assistance program to \$750,000, the same level as was authorized previously.

- Expanding the flexibility of States to provide REACH grants to non-profits and community action agencies. Some States do not contract with CAAs or non-profits to deliver LIHEAP services for a variety of reasons; allowing States to provide REACH grants to other providers, including State agencies, would enhance the delivery of program services by helping to strengthen their delivery network.

CONCLUSION

There is no substitute for adequate Federal funding of LIHEAP. The authorized level of \$5.1 billion would provide sufficient funds to increase grant levels to adjust

for inflation in energy prices and allow States to reach out to eligible households who are not currently receiving assistance.

Thank for you this opportunity to testify today. NEADA we would be happy to respond to any questions or requests for additional information on this important program.

[Whereupon, at 11:53 a.m., the hearing was adjourned.]

○