

Statement
of
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Chairperson of the Board of Directors
The National Fuel Funds Network
before the
Energy and Mineral Resource Subcommittee
Committee on Resources
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Mr. Chairman and other Subcommittee members, I am Carol Clements, Chairperson of the Board of Directors of the National Fuel Funds Network (NFFN) and Executive Director of the Victorine Q. Adams Fuel Fund in Baltimore. On behalf of the NFFN, I thank you for the opportunity to testify in today's hearing on "The Impacts of High Energy Costs on the American Consumer."

The national organization that I chair and the local agency that I direct are well-qualified to speak on the impacts of high home energy costs on consumers with low income. Last year, the Victorine Q. Adams Fuel Fund provided direct assistance to 1,108 households in Baltimore City. This assistance totaled \$320,595. Our average grant was \$289. The National Fuel Funds Network consist of 290 members – called fuel funds, charitable energy assistance programs, fuel or energy banks – that raise and distribute about \$100 million annually in private, charitable contributions from their local communities or states to assist people with low incomes pay home energy bills. Our members include not only nonprofit organizations, but also utility companies and local, state and Tribal government agencies, who administer charitable energy assistance programs. The fuel funds often supplement LIHEAP assistance, and often they are providers of last resort. Some of our members also manage federal Low Income Home Energy Assistance Program (LIHEAP) funds. Since they operate at the boundary of federal and private energy assistance, NFFN members inevitably, discover that the sum of the charitable resources they manage and the resources provided by LIHEAP is inadequate. Therefore, the National Fuel Funds Network supports increasing the appropriation for LIHEAP from the current \$2.2 billion to \$3.4 billion for FY 2006.

These are very dramatic times for those of us involved in energy assistance. Today's Subcommittee hearing is in the wake of continuing volatility and steady rise in the cost of home energy over the last five years. Home energy burdens likewise continue to rise, and, while more families receive LIHEAP assistance, the percentage of eligible families served is declining. LIHEAP and its fuel fund partners are effective programs, but the national home energy assistance system is severely stressed, due to lack of funds. We are now six to eight weeks into a compounding crisis that occurs every spring. In mid-March or early April, moratoria on utility service cut-offs end in many states, and despite the warmer weather, thousand of households face the prospect of losing their utilities due to several months accrued bills. Moreover, the human impacts of the gap between affordable home energy and the home energy bills of people with low income are persistent and very troubling.

Let me address each of these factors in turn.

Home energy costs continue to rise

In April 1, 2005 testimony to the House Labor, Health and Human Services, Education and Related Agencies Appropriations Subcommittees, the National Energy Assistance Directors Association (NEADA) said:

" According to the Energy Information Administration, between the 2002 and 2005 winter heating seasons, average home heating expenditures for natural gas increased by 55 percent, from \$602 to \$935, while home heating costs rose by 93 percent, from \$635 to \$1226 and propane increased by 52 percent from \$888 to \$1345."

The Energy Information Agency just released its short-term outlook for May, which predicts that natural gas spot market prices are likely to remain in the range of \$6.50 to \$7.00 per mcf through the summer. EIA also projects that average natural gas spot market prices will rise above \$7.00 per mcf through the rest of 2005 and 2006.

High energy burdens are persistent; the home energy affordability gap is increasing

Families receiving LIHEAP assistance, reflecting families with low income, in general, spend about 15% of their income on home energy, compared with about 3% for all other families, according to the National Energy Assistance Directors Association.

Exemplifying high energy burdens in the extreme is emergence of several Baltimore families to whom I have provided energy assistance recently. These families have home energy bills that rival or exceed their rent or mortgage bills.

A recent analysis by Roger Colton of Fisher, Sheehan & Colton (<http://www.fsconline.com/work/heag/heag.htm>, 2004) found that "the annual [national] "affordability gap" for 2002 reached roughly \$18.2 billion" for households with income at 185 % of the federal poverty level. The study defines affordable home energy as an allocation of 6% of household costs for home energy. In addition to LIHEAP funds, the gap is partially covered by \$100 million from fuel funds, some \$225 million from the federal Weatherization Assistance Program, and probably several billion dollars in state public benefit funds and in discounts, arrearage forgiveness and other utility programs for customers with low income.

In my home state of Maryland, the study showed that households with incomes of below 50 percent of the federal poverty level pay 47 percent or more of their annual income simply for their home energy bills. More than 85,000 Maryland households live with income at or below 50 percent of the poverty level. The study breaks down data for each state, and I commend it to your attention.

While the cost of adequate home energy plagues people with the least income the most, it is also touches the working poor and the middle class. For example, 13% of the clients helped by the Victorine Q. Adams Fuel Fund in the past year have incomes of more than 200% of the federal poverty level.

More people are applying for LIHEAP, but the percentage of eligible families served is declining

The above-cited NEADA testimony noted that the number of households receiving LIHEAP assistance has been steadily increasing over the past few years to a projected total of 5 million in the current fiscal year. Yet, LIHEAP serves only about 15% of eligible families, a percentage that has declined over the past few years, due to more families being eligible.

Home energy assistance system stressed; cannot meet demand

The weather is now warmer than the winter, and summer's heat waves have yet to hit. LIHEAP remains a very effective program, serving five million households with a very small administrative cost. Charitable energy assistance programs are increasing the amount of funds they raise to supplement LIHEAP, and many utilities are innovating new programs to serve payment-challenged customers better. Nevertheless, the home energy assistance system across the nation is highly stressed. Low-income consumers need more assistance.

Examples recently provided to NFFN by members and in the news portray our strained energy assistance system, where families in need are turned away daily.

Let me start with our own experience in Baltimore. Completed applications for LIHEAP assistance in Baltimore City have risen from 24,900 last year to 26,777, as of May 17, 2005, the day before the program closed. According to 2000 Census data, over 84,000 households in Baltimore are eligible for LIHEAP. For charitable assistance to supplement LIHEAP in Baltimore City, there is a five week waiting list to be seen by a staff worker. This week, we are seeing 30-40 new appointments daily and 100-150 telephone calls daily to apply for assistance.

In Michigan, Kim Nystrom, Administrative Services Manager for the Inter-Tribal Council, said "I find that this year we have been hit the hardest. Usually our program runs all year long. This year, to date, we are almost out of funds because of the increase in heating bills this past winter.... Although this winter has been more mild than most, the increase in costs to heat homes has not been so mild."

In Wisconsin, where the moratorium on utility cut-offs expires on April 15, LIHEAP agencies reported in the first week of April "an increase of 800 households over the previous week" and said "the case load is expected to continue larger than average through the end of May." The May 1 Oshkosh Northwestern reports that "about 20,000 of the utility's estimated half a million residential customers in a 20 county area in Northeastern Wisconsin owed at least four months on their utility bills when the moratorium was lifted on April 15."

Western Arizona Council of Governments (WACOG), the Arizona Region IV Community Action Agency reports "turning away thousands of clients in any given year as a result of limited LIHEAP resources. From July 1, 2004 to February 28, 2005, WACOG assisted 1,633 Families (5,625 people) in La Paz, Mohave and Yuma Counties from having their utilities disconnected or needing their utilities re-connected. The LIHEAP funds WACOG does have are stretched to help as many families as possible but the sad truth is that our agency is only able to assist a portion of the people walking in our door. In Region IV, housing stock for low-income people could be classified as "Poor," at best. Thus an average monthly utility payment in warm weather areas is \$297 in the summer months and in cold weather areas an average monthly utility payment is \$265 in the winter months."

WACOG offers that "... these are very high fuel costs for families living at the poverty level. For a family of three the cost of utilities is approximately 22% of the families' gross income and for a single person those costs are equivalent to 37% of the person's gross income."

The Pima County Community Action Agency in Arizona similarly reports to NFFN that from July 2004 – May 16, 2005, it provided LIHEAP assistance to 4,223 individuals in 1,365 households, but that “We were unable to serve more clients with LIHEAP as the funds ran out in mid-February, 2005.” Fortunately, the agency was able to serve another 1,003 households with 3155 individuals by packaging various state and local funds during the same period. Still, Norma Gallegos of the Agency comments that “...we would use additional LIHEAP funds if we had them.”

In Washington, the Multi-Service Center in South King County reported receiving 18,392 calls for assistance in January, far above their monthly average. The Pierce County Community Action Agency is seeing about 30 households a week whose service has been discontinued and receiving 3,000 calls a month for aid.

In Garrett County, Maryland, Linda Green, the administrator of three public and charitable energy assistance programs for the local community action agency told NFFN that there has recently been a “32 percent increase over last year of requests from low income households needing assistance.”

In Florida, where many areas were devastated by hurricanes, our members report the demand for assistance remained high over the winter. In many cases agencies have run out of funds but are still receiving calls for aid.

The Scranton-Lackawanna Human Development Agency in Pennsylvania reports how a local LIHEAP program has had no choice but to turn away thousand of eligible parties in one community as of April 8, 2005, when LIHEAP Crisis Component funds ran out.

“The problem is the number of applicants who are ineligible due to having received the allowable maximum benefit and yet are still in need. We have a large number of ineligible households because of this. We turn away approximately 60 households per day (300 per week) who are in need and meet eligibility requirements. We have nowhere to refer them at this time since all local private fuel funds are exhausted

At the rate we [have been] turning people away since the end of December, it is probable that as many as 4,000 additional grants were needed by otherwise eligible households who did not receive them due to lack of funds.”

The home energy affordability crisis has a demonstrable human impact.

More important than stressed social service agencies is the impact of affordable home energy on people’s health and personal choices. There are many studies documenting the lack of home energy decreasing educational achievement, leading to homelessness and compromising health. One example is the April 2004 National Energy Assistance Director Association study (www.neada.org/comm/surveys/NEADA_Survey_2004.pdf) of LIHEAP recipients, which found that:

“over 25% of families in the survey sacrificed medical care, failed to make a rent or mortgage payment – and 22% went without food for at least a day.”

The report illustrates that LIHEAP works: “the number of recipients spending over 25% of their income on energy declined by 2/3 with LIHEAP help.” But the report noted that LIHEAP serves only 13% of those eligible for it.

Increased Funding for LIHEAP Needed

The National Fuel Funds Network recently requested the House Labor, Health and Human Services, Education and Related Agencies Appropriations Subcommittee add more funds to LIHEAP appropriations. Specifically, the Network believes that an FY 2006 appropriation of \$3.4 billion in regular funds, plus \$300 million in emergency funds, is necessary. We asked for this level of funding for this vital program because the current LIHEAP funding level is virtually the same as it was when the program began in 1981, while the Consumer Price Index inflation calculator shows that the cost of living went up 107 percent over the same time period. The Network also supports the recent reauthorization of LIHEAP in the House Energy bill at the level of \$5.1 Billion. I ask that each Subcommittee member support these higher LIHEAP levels, which truly relieve the negative impact of high energy costs on American families of limited means.

Advance Appropriations Need to be Restored

The National Fuel Funds Network also strongly supports including advance appropriations for LIHEAP for FY 2007, at the level of \$3.4 billion, plus \$300 million emergency funds. The concept of advanced appropriations helps programs to better plan for the impending winter and summer months. Due to the uncertainty of the weather, advanced appropriations would allow programs to disseminate assistance to those in need in case of unforeseen harsh weather conditions. Advanced appropriations would also help public and private energy assistance programs work together more efficiently to assist those in need. Advance knowledge of a state’s LIHEAP funding also facilitates charitable energy assistance fundraising campaigns in the state.

Other measures to address the home energy needs of families with low income

An important question before the Subcommittee today is what other measures besides augmenting LIHEAP funding can be taken to help people with low income deal with increasing home energy costs.

NFFN recognizes how important it is to keep energy costs reasonable. The increase in demand for LIHEAP can be directly related to the rise in energy prices over the last few years. Natural gas prices, in particular, have a direct impact on energy affordability for low-income consumers.

NFFN recognizes that there must be adequate supplies of natural gas and home heating oil to meet demand and keep prices reasonable and avoid price volatility. While it is not NFFN’s mission to determine where natural gas and oil supplies

should come from, the Network does recognize that steps must be taken to increase natural gas supplies. This may come in the form of energy legislation or regulatory and administrative actions.

We commend the Resources Committee for exploring alternative ways to supplement the LIHEAP program as part of national energy legislation. The provision allowing the Secretary of Interior to provide a "preference" to low-income individuals under the Royalty-In-Kind program has merit.

Other measures that the Network recommends include:

? The formation of a joint working group among the Departments of Energy, Housing and Urban Development and the Department of Health and Human Services to increase energy efficiency and conservation in public and Section 8 housing.

? Strengthening the federal Weatherization Assistance Program, with special attention to the summer repair or replacement of gas furnaces. In addition there should be more emphasis on education in energy efficiency and conservation for those receiving aid through the weatherization program.

? A more concerted public-private effort to promote energy conservation and efficiency. For example, the National Fuel Funds Network, Alliance to Save Energy, Energy Outreach Colorado and other partners, with funding from the Department of Energy, is engaged in a three-year Ad Council home energy efficiency campaign targeted at children (www.energyhog.org). Another example is the partnership of NFFN, the National Endowment for Financial Education and the Department of Housing and Urban Development that has distributed 90,000 copies of *Owning is Just the Beginning: Learning to Budget the Utility Costs of Your New Home*. Both partnerships have proven very successful and serve as models for other public-private educational projects.

Other steps that should be taken include increased employment of energy efficiency and conservation measures by city and state governments; establishment of fuel blind public benefit funds in states which have undergone utility restructuring; and creative use of the Earned Income Tax Credit to reduce utility arrearages.

I again thank the Subcommittee for the invitation to appear before you and am pleased to discuss any of the testimony with you.