LOW INCOME HOME ENERGY ASSISTANCE PROGRAM: OVERVIEW AND CURRENT ISSUES

HEARING

BEFORE THE

SUBCOMMITTEE ON HEALTHY FAMILIES AND COMMUNITIES

COMMITTEE ON EDUCATION AND LABOR

U.S. HOUSE OF REPRESENTATIVES

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LOW INCOME HOME ENERGY ASSISTANCE PROGRAM: OVERVIEW AND CURRENT ISSUES

Tuesday, November 13, 2007
U.S. House of Representatives
Subcommittee on Healthy Families and Communities
Committee on Education and Labor
Washington, DC

The subcommittee met, pursuant to call, at 3:05 p.m., in room 2175, Rayburn House Office Building, Hon. Carolyn McCarthy [chairwoman of the subcommittee] presiding.

Present: Representatives McCarthy, Clarke, Sarbanes, Platts, and McKeon.

Staff present: Tylease Alli, Hearing Clerk; Alfred Amato, Legislative Fellow for Education; Denise Forte, Director of Education Policy; Lamont Ivey, Staff Assistant, Education; Deborah Koolbeck, Policy Advisor for Subcommittee on Healthy Families and Communities; Danielle Lee, Press-Outreach Assistant; Joe Novotny, Chief Clerk; Margaret Young, Staff Assistant, Education; Chad Miller, Minority Professional Staff; Susan Ross, Minority Director of Education and Human Resources Policy; and Linda Stevens, Minority Chief Clerk/Assistant to the General Counsel.

Chairwoman MCCARTHY [presiding]. A quorum is present. The hearing of the subcommittee will now come to order.

Pursuant to Committee Rule 12(a), any member may submit an opening statement in writing which will be made part of the permanent record.

Before we begin, I would like everyone to take a moment to ensure that your cell phones and BlackBerrys are off. My BlackBerry is off. Last time, I did not do it.

I now recognize myself followed by the ranking member, Buck McKeon from California, for his opening statement.

I want to thank everyone here for coming.

We will be discussing a very serious issue facing our low-income families. With energy costs consistently on the rise, more and more families must make the tough decision on whether to heat their homes or put food on the table.

This morning, I met with a group from Island Harvest, which feeds our poor on the island. I know everybody thinks Long Islanders are very wealthy people, but we have a large population of homeless, and besides our veterans, we have more and more people who are homeless today.

I think that concerns me the most, is the children. If they cannot afford to have heat in their homes, that means they most likely do not have food on their plates, and I think that is something, speaking as a nurse—no heat, no food—we are going to end up seeing these children and our elderly and our disabled in hospitals, which is going to end up costing more money. This is a decision that no one should ever be forced to make.

Unfortunately, heating costs will only increase as we enter into the winter months. Oil is trading at nearly $100 per barrel, even though in the last couple of days we have seen it come down, but it is fluctuating. And the prices of other heating sources, such as natural gas, propane and electricity, have all increased by record number, according to the Energy Information Administration. These increased costs make it extremely difficult for low-income families to heat their homes, placing their families and loved ones in harm's way.

That is why the federal government created the Low Income Home Energy Assistance Program, or LIHEAP. This great program has been helping low-income families heat their homes since 1981. Currently, over 5 million households receive LIHEAP assistance. That is people that are receiving the assistance. Those that do not even apply are probably making the numbers even larger.

Just last week, the House passed language in the Labor-HHS appropriations bill to provide $2.4 billion for the LIHEAP program. Unfortunately, we saw President Bush veto this vital legislation just today, placing the health and wellbeing of millions of families at risk this winter.

Studies have shown that the energy burden on low-income families is much higher than wealthier families. According to the American Gas Association and the Department of Health and Human Services, low-income families spend nearly 20 percent of their income on heating and cooling costs, compared to 7 percent for standard households. It is clear our nation's low-income families spend a much greater portion of their income on heating and cooling costs, and they deserve and need assistance from the federal government.

There are things that can be done to reduce the monthly energy bills at home. To be very honest with you, this morning, before I flew down here, I pulled out every single plug in my house—every single plug. I turn the TVs off. I turn my computer off. I pull everything out. And the house right now is set at 54 degrees. And let us hope my pipes do not burst.

But I have been doing this for a number of years. Being that I am not there for 5 days a week, I figure I can cut down on energy just doing my small part. But I am not there. What happens to the families that are living there and have the high costs?

I also check to make sure I have not left any lights on that are not being used and turn my heat off when I am not at home. And I guess I grew up—you know, my mom and dad went through the depression years—and when you walk through a room, you turn the light off. I was taught that as a child. I think a lot of people have forgotten that.

And we also must also work to develop clean and renewable and cost-efficient fuel to put an end to the energy crunch in this nation.

We will hear from a panel of experts today who will offer their views on the LIHEAP program and provide this subcommittee with ideas and suggestions to improve the delivery of this program.

I now want to yield to Mr. Platts from Pennsylvania.

[The statement of Mrs. McCarthy follows:]

Prepared Statement of Hon. Carolyn McCarthy, Chairwoman, Subcommittee on Healthy Families and Communities

Thank you all for coming today. We will be discussing a very serious issue facing our low income families.

With energy costs consistently on the rise, more and more families must make the tough decision whether to heat their homes, or put food on the table.

That is a decision no one should ever be forced to make.

Unfortunately, heating costs will only increase as we enter into the winter months.

Oil is trading at nearly one hundred dollars per barrel.

And the prices of other heating sources, such as natural gas, propane and electricity have all increased by record number, according to the Energy Information Administration.

These increased costs make it extremely difficult for low income families to heat their homes, placing their families and loved one in harms way.

That is why the Federal government created the Low Income Home Energy Assistance Program or LIHEAP.

This great program has been helping low income families heat their homes since 1981.

Currently, over five million households receive LIHEAP assistance.

Just last week, the House passed language in the Labor—HHS Appropriations bill to provide 2.4 billion dollars for the LIHEAP program.

Unfortunately, President Bush vetoed this vital legislation just today, placing the health and well being of millions of families at risk this winter.

Studies have shown that the energy burden of low income families is much higher than wealthier families.

According to the American Gas Association and the Department of Health and Human Services, low income families spend nearly twenty percent of their income on heating and cooling costs, compared to seven percent for standard households.

It is clear our nation's low income families spend a much greater portion of their income on heating and cooling costs, and they deserve and need assistance from the Federal government.

There are things that can be done to reduce the monthly energy bills at home.

I make sure to unplug my appliances at my home in New York before I travel to Washington each week.

I also check to make sure I have not left lights on that are not being used, and turn my heat off when I am not at home.

There are many things that can be done to reduce home heating costs, and this Subcommittee is committed to improving the LIHEAP program.

But we must also work to development clean, renewable and cost efficient fuel to put an end to the energy crunch in this nation.

We will hear from a panel of experts today who will offer their views of the LIHEAP program, and provide this Subcommittee with ideas and suggestions to improve the delivery of this proven program.

Mr. PLATTS. We are playing musical chairs over here, Madam Chair.

Thank you. I am delighted to join with you and our witnesses here today and will tell you, as a parent of a third-grader and fifth-grader, we parents are still out there trying to get our kids to turn those lights out as they leave the rooms and go to another part of the house or go out to play.

Good afternoon. I am delighted to be here. I apologize for my late arrival coming right from my district, but I am delighted to be part of this hearing.

And, Madam Chair, I want to thank you for hosting this very important hearing on a topic that is critically important to, as you stated, millions of our citizens and their families across this country.

I appreciate everyone's interest in this topic, and coming from a northeastern state, Pennsylvania, the winter months approaching certainly are trying times for a lot of our citizens. Hundreds of thousands of Pennsylvanians this year, along with the more than 5 million you referenced across this country, will look to LIHEAP for assistance as we go into the winter months.

And I can tell you in my district, as a Congressman and previously as a state representative, the LIHEAP program is one that I certainly have been very aware of and often engaged in with citizens on trying to make sure that they knew of this important program and were able to acquire assistance from it.

While I am certainly grateful for all of our witnesses and want to thank each and every one of you for being here, I, as a Pennsylvanian, am especially looking forward to, Mr. Swanson, your testimony and your work back in Pennsylvania, my home state.

The rising costs of energy, as was referenced by the Chair, especially with the price of oil where it is today, is more and more challenging for so many families across the country, and while I believe it is vitally important that we rein in energy costs and decrease our consumption of foreign energy, we must not forget these citizens who are oftentimes having to choose between heating—or in summer in the southern states, cooling—their homes and putting food on the table or meeting other necessary expenses.

And I think that is why this hearing is so important, and as great a nation, a wealthy nation, as we are, we should not have citizens having to make those very difficult decisions for themselves or their families.

With the LIHEAP program up for reauthorization this year, I certainly stand ready to work with you, Madam Chair, and with our colleagues on both sides of the aisle to improve this critically important program, and the testimonies we are going to hear today I know will help further educate us and further this effort and this cause of making sure we do right by all of our fellow citizens.

So, with that, I yield back, and I look forward to our testimonies.

Thank you, Madam Chair.

[The statement of Mr. Platts follows:]

Prepared Statement of Hon. Todd Russell Platts, Ranking Member, Subcommittee on Healthy Families and Communities

Good afternoon. Welcome to this hearing on the Low-Income Home Energy Assistance Program (LIHEAP). I appreciate and share the Chairwoman's interest in this important issue. With the winter months approaching, this hearing is especially timely.

Hundreds of thousands of low-income Pennsylvanians are able to take advantage of LIHEAP assistance during the winter months. I hear regularly from constituents regarding the important role which this program plays in their lives. I look forward to hearing from Mr. Swanson regarding his personal experience working with the LIHEAP program in Pennsylvania.

The rising cost of energy has become increasingly burdensome to individuals and businesses alike. While I believe that it is vitally important that we reign in energy costs and decrease our consumption of foreign energy, we must not forgot those citizens who must choose between heating or cooling their homes during times of severe temperatures or buying groceries for their families.

The LIHEAP program is up for reauthorization this year. I stand ready to work with Chairwoman McCarthy to improve this important program. The testimonies of the distinguished panel before us today will greatly enhance our understanding of the issues surrounding the program and help us to focus our efforts where they are most needed.

Thank you to all of the panelists for joining us today. With that, I yield back to the Chairwoman.

Chairwoman MCCARTHY. Thank you. Thank you, Mr. Platts.

I know that there are only a few of us here. For the Democrats, we have a caucus off the Hill, so a lot of our colleagues are not here, and a lot of people are traveling from the West Coast. We do not have votes until 6:30, so a lot of people do not get here until much later in the afternoon.

Without objection, all members will have 14 days to submit additional materials or questions for the hearing record.

Today, we will hear from a panel of witnesses, and I do appreciate you all being here. Your testimonies will proceed in the order of your introduction.

Our first witness is Hon. Guy Caruso, the administrator for the U.S. Department of Energy Information Administration, known as EIA. The EIA is the energy within the DOE, the Department of Energy, which will provide policy independent data, forecasts and analysis regarding energy. Mr. Caruso has more than 30 years experience in the economic study of energy, with particular emphasis on topics related to energy markets, policy and security. Today, Mr. Caruso will share with us the EIA's short-term energy forecast and why oil prices are so high.

We look forward to your presentation and interpretations.

Next, we will hear from Mark Wolfe, the executive director of the National Energy Assistance Directors' Association. This association represents the state directors of LIHEAP programs. Prior to his current position, Mr. Wolfe has served at the U.S. Treasury as well as at our own Congressional Research Service. Today, Mr. Wolfe will present an overview of the LIHEAP program and discuss the current state of affairs, given the energy forecast that Mr. Caruso will share with us. We will look forward to hearing what states are doing to prepare for the winter and following summer in regard to the LIHEAP program.

Our next witness will focus on the running of a LIHEAP program and give us some more on-the-ground perspective. Ms. Linda Barlow is the vice president of community-based alternatives of the Education & Assistance Corporation. The EAC oversees the LIHEAP program in Nassau County of Long Island in my district, and I was just down in their offices about 2 weeks ago. In addition to supervising the LIHEAP program, Ms. Barlow is a published author and serves as a consultant and trainer for various organizations. I look forward to hearing about the challenges and successes of administering LIHEAP at home.

Our next witness is Mr. Lawrence Swanson. He is the director of ACTION-Housing, Inc., of Pittsburgh, Pennsylvania. ACTION-Housing empowers people to build more secure and self-sufficient lives through the visions of decent and affordable housing, essential support services and asset building programs and education and

employment opportunities. Mr. Swanson has been at ACTION-Housing since 1979.

Our final witness today is Mr. David Manning. Mr. Manning is the executive vice president of U.S. external affairs for National Grid and Key Span, a utility company which is part of the American Gas Association. Mr. Manning will testify on the AGA's recent report, the increased burden of energy costs on low-income consumers, and the role that utilities can play in helping our nation's low-income individuals and families through this winter and summer to follow.

Given the energy cost forecast, I want to thank each and every one of you for coming. Each one of us on this committee is passionate about these issues. This comes through our jurisdiction, and I have to say that other hearings that we have had, we have had great results on trying to push through reauthorization on issues because of people like yourselves, you know, traveling and coming in and talking to us.

So, first, we are not appropriating LIHEAP at its maximum authorized levels, and only 14 percent of those eligible receive assistance. As funds are consumed this winter, it is unclear how LIHEAP can continue to be of assistance to those in need in the summer months. I look forward to your testimonies and the work ahead of us.

For those of you who have not testified before in front of us, in front of you, you have a lighting system. It will turn on green as you start talking. When it is the yellow light, you have 1 minute to finish up, and then red, we really ask you to wind up. We are not going to cut you off as soon as it turns red, but we appreciate it if you could follow through with that.

And if you could do a favor, when you are speaking, turn on your microphone so that everybody here in the audience can also hear you.

We will now hear from our first witness, the honorable Guy Caruso.

Mr. Caruso?

STATEMENT OF GUY CARUSO, ADMINISTRATOR, ENERGY INFORMATION ADMINISTRATION, U.S. DEPARTMENT OF ENERGY

Mr. CARUSO. Thank you, Madam Chairwoman and members of the committee. Thank you for this opportunity to discuss recent events in energy markets and the Energy Information Administration's latest short-term outlook as well as our heating fuel price outlook.

EIA produces objective, timely and relevant data, projections, and analyses that are meant to assist policymakers and to help markets function efficiently and inform the public. Our views and outlooks should be attributed to EIA only and not to the Department of Energy or the administration.

My testimony draws from our November Short-Term Energy Outlook, which was released last Tuesday, and this outlook gives projections for world oil markets and U.S. energy markets through the end of 2008, including the price projections, consumption, and expenditures for heating fuels as they are projected. These projec-

tions reflect weather forecasts from the National Oceanographic and Atmospheric Administration and household heating characteristics from EIA's Residential Energy Consumption Survey.

As I review our outlook for prices and expenditures, I must stress that the heating bills for individual households are highly dependent on local weather, the market size, size and efficiency of the house and the behavioral characteristics, as you mentioned in your opening statement, and such things as the equipment being used in the individual homes.

On average, households heating primarily with natural gas are expected to spend about $87, or 11 percent, more this winter in fuel expenditures than last winter. However, households heating primarily with heating oil are expected to pay an average of $375, or 26 percent, more. Households heating primarily with propane are expected to pay an average of $273 more, or 20 percent more. Finally, households heating primarily with electricity are expected to pay an average of $22, or 3 percent, more.

There are some significant regional differences in the use of various heating fuels, and the written testimony contains much more detail with respect to the regional costs throughout our country. Nationwide, about 58 percent of all households use natural gas as their primary heating fuel, and these average expenditures are expected to be up 11 percent due to higher prices and also expected higher temperatures this year compared with last.

In the Midwest, nearly 80 percent of all households rely on natural gas, and they are expected to have a 12 percent increase in average expenditures. Regionally, the increase in expenditures for households relies primarily on heating oil ranges from 24 percent in the West to 30 percent in the South. However, only 7 percent of householders nationally rely on heating oil. In the Northeast, 32 percent of households do, and there, the expected increase in expenditures will be 25 percent.

Of course, these projections are highly dependent on the actual weather that occurs. Colder or warmer weather than predicted by NOAA in key regions of the country would have a significant impact on prices and consumption of heating fuels. Uncertainty in world oil markets could also be a major factor in the price of heating oil with the most impact on the northeastern region of the nation.

Turning to energy markets in general, as we all know, oil prices have risen sharply this year and are likely to remain high through 2008. We are expecting the price of the West Texas Intermediate Crude, which is traded on the New York Mercantile Exchange, to increase from an average annual price of $66 in 2006 to $71 per barrel in 2007 to nearly $80 in 2008. A number of factors are driving these prices, including strong economic growth worldwide, production decisions by members of OPEC, moderate supply growth in non-OPEC nations, low spare productive capacity in OPEC, tight inventories, refinery bottlenecks, and ongoing geopolitical concerns.

On the other hand, natural gas markets have softened. U.S. inventories reached an all-time high on November 2 of this year. In addition, key regions using natural gas for heating had warmer-than-normal weather to begin the fourth quarter of this year. Natural gas production continues to increase, particularly in the lower

48. On-shore region and L&G imports are expected to exceed last year's level by about 40 percent. The Henry Hub spot price of natural gas is expected to rise from the October average of nearly $7 per thousand cubic feet to about $8 for the full year 2008.

Madam Chairwoman, this completes by oral testimony. I would be glad to answer any questions that you or any other members of the committee may have as we proceed.

Thank you very much.

[The statement of Mr. Caruso follows:]

Testimony of

Guy Caruso

Administrator

U.S. Energy Information Administration

before the

Committee on Education and Labor

Subcommittee on Healthy Families and Communities

U. S. House of Representatives

November 13, 2007

Madam Chairwoman and Members of the Committee, I appreciate the opportunity to appear before you today to discuss recent developments in energy markets and the short term outlook, including the outlook for this winter's heating fuels expenditures.

The Energy Information Administration (EIA) is the independent statistical and analytical agency within the Department of Energy. While we do not promote, formulate, or take positions on policy issues, we do produce objective, timely, and relevant data, projections, and analyses that are meant to assist policymakers, help markets function efficiently, and inform the public. Our views are strictly those of EIA and should not be construed as representing those of the Department of Energy or the Administration.

My testimony today relies on EIA's *Short-Term Energy Outlook (STEO)*, which is updated each month. The November *STEO* was released November 6th and provides projections through 2008, including price, consumption, and expenditures projections for heating fuels this winter by region and by fuel. EIA's heating fuel expenditure projections reflect forecasts of weather conditions and energy markets as well as the characteristics of household heating systems in each region. Heating system characteristics for each region are based on the EIA *Residential Energy Consumption Survey*, which collects information on energy using equipment and energy bills from a sample of residences every 4 years. The energy market forecasts are developed by EIA staff, while weather forecasts are supplied by the National Oceanographic and Atmospheric Administration (NOAA) within the Department of Commerce. EIA also

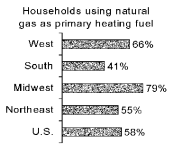
examines 10-percent colder and 10-percent warmer winter cases to provide a range of heating fuel market outcomes.

Projected Winter Fuel Expenditures by Fuel and Region

EIA's estimates of average winter fuel expenditures provide a broad guide to changes from last winter, but household expenditures are highly dependent on local weather conditions, market size, the size and efficiency of individual homes and their heating equipment, and thermostat settings. On average, households heating primarily with natural gas are expected to spend an average of $87 (11 percent) more this winter than last winter in fuel expenditures. Households heating primarily with heating oil can expect to pay an average of $375 (26 percent) more this winter. Households heating primarily with propane can expect to pay an average of $273 (20 percent) more this winter. Households heating primarily with electricity can expect to pay an average of $22 (3 percent) more.

Nationwide, about 58 percent of all households depend on natural gas as their primary heating fuel. During this winter, as noted above, the average household using natural gas for heating can expect to pay 11 percent more than it did last winter, reflecting the combined effects of a 9-percent increase in price and a 1-percent increase in consumption. In the Midwest, where 79 percent of all households rely on natural gas, a projected 12-percent increase in average household expenditures results from an 11-percent increase in prices and 1-percent consumption growth (**Figure 1**).

Figure 1. Natural gas heating bills are projected to be higher for all regions this winter.



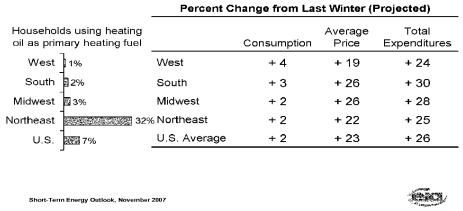
Percent Change from Last Winter (Projected)

	Consumption	Average Price	Total Expenditures
West	+ 2	+ 9	+ 11
South	0	+ 11	+ 11
Midwest	+ 1	+ 11	+ 12
Northeast	+ 2	+ 6	+ 9
U.S. Average	+ 1	+ 9	+ 11

Short-Term Energy Outlook, November 2007

Only 7 percent of U.S. households depend on heating oil for winter fuel. Most of these households are in the Northeast, where 32 percent of households use heating oil as their primary heating fuel. In that region, the average household is projected to pay 26 percent more than last winter as a result of a 23-percent increase in prices and a 2-percent increase in consumption (**Figure 2**).

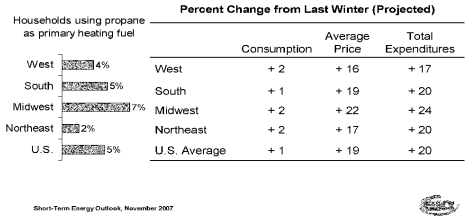
Figure 2. U.S. winter heating oil expenditures projected to increase for all regions.



Percent Change from Last Winter (Projected)			
	Consumption	Average Price	Total Expenditures
West	+ 4	+ 19	+ 24
South	+ 3	+ 26	+ 30
Midwest	+ 2	+ 26	+ 28
Northeast	+ 2	+ 22	+ 25
U.S. Average	+ 2	+ 23	+ 26

Propane-consuming households, which account for 5 percent of the U.S. total, are projected to see an average increase of 20 percent in propane expenditures this winter, but that increase varies widely by region (**Figure 3**). Western households are projected to see an average expenditures increase of 17 percent, for example, while Midwestern homes are expected to experience an average increase of 24 percent.

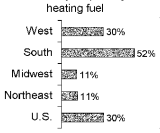
Figure 3. Propane expenditures are projected to increase in all regions.



Percent Change from Last Winter (Projected)			
	Consumption	Average Price	Total Expenditures
West	+ 2	+ 16	+ 17
South	+ 1	+ 19	+ 20
Midwest	+ 2	+ 22	+ 24
Northeast	+ 2	+ 17	+ 20
U.S. Average	+ 1	+ 19	+ 20

Thirty percent of all U.S. households rely on electricity as their primary heating fuel, with electricity serving as the primary heating fuel for 30 percent of households in the West, 52 percent in the South, and 11 percent each in the Northeast and the Midwest. On average, electricity expenditures during the winter are projected to rise by 3 percent due to increased consumption and prices. Households in the South, for example, are projected to pay 1 percent more this winter on electricity bills, while Western households' expenditures are projected to rise 5 percent from last winter **(Figure 4)**.

Figure 4. Winter electricity expenditure increases are expected to be smaller than other fuels.



	Percent Change from Last Winter (Projected)		
	Consumption	Average Price	Total Expenditures
West	+ 2	+ 3	+ 5
South	0	+ 1	+ 1
Midwest	+ 1	+ 2	+ 3
Northeast	+ 2	+ 3	+ 4
U.S. Average	+ 1	+ 2	+ 3

Short-Term Energy Outlook, November 2007

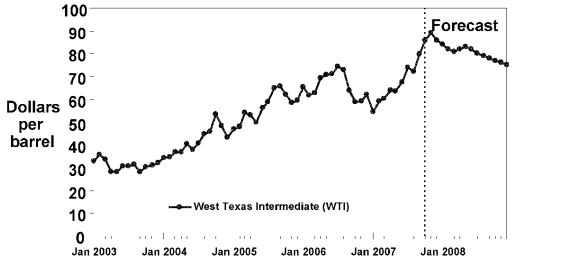
Attached to my testimony is a table (**Table WFO1**) which provides additional data on projected nationwide and regional heating fuel expenditures for the upcoming winter as well as historical data for past winters.

The remainder of my testimony reviews some of the factors that have contributed to recent and projected price trends in oil and natural gas markets. Oil price trends in particular have been a major factor contributing to the increase in projected heating expenditures for the upcoming winter.

Oil Markets

A number of factors have combined to cause oil prices to rise significantly in 2007 and will likely continue to impact prices through 2008. West Texas Intermediate (WTI) crude oil prices are projected to increase from an average of $66 per barrel in 2006 to $71 per barrel in 2007, and to nearly $80 per barrel in 2008 (**Figure 5**). EIA believes that supply and demand fundamentals, including strong world economic growth driving growth in oil use, moderate non-Organization of the Petroleum Exporting Countries (OPEC) supply growth, OPEC members' production decisions, low OPEC spare production capacity, tightness in global commercial inventories, worldwide refining bottlenecks, and ongoing geopolitical risks and concerns about supply availability, have been the main drivers of oil price movements over the past year.

Figure 5. Crude Oil Prices



Short-Term Energy Outlook, November 2007

With the rise in prices, oil markets have been drawing increased interest and participation from investors and financial entities without direct commercial involvement in physical oil markets. The role of these non-commercial futures-market participants in recent price developments is difficult to assess, particularly over short time intervals. However, general principles favor a focus on fundamentals, rather than consideration of alternative price drivers, when the explanatory power of fundamentals is high. A more extensive discussion of the factors affecting current high oil prices is contained in the Supplement to the November *Short-Term Energy Outlook*, which can be found on our website at http://www.eia.doe.gov/emeu/steo/pub/contents.html .

Natural Gas Markets

Mild weather, high storage levels, and a lack of tropical storm activity in the Gulf of Mexico this year have caused the natural gas market to soften. Natural gas inventories reached an all-time high in the week ending November 2, and warmer-than-normal weather at the start of the fourth quarter has reduced consumption in key regions that rely on natural gas for space heating.

On the supply side, total domestic natural gas production continues to increase. In particular, production activity in the lower-48 onshore region has expanded and has more than offset production declines in the Gulf of Mexico. Imports of liquefied natural gas (LNG), which surged during the first half of 2007 and are expected to surpass last year's total by roughly 40 percent, have slowed recently due to rising demand by other LNG-consuming nations.

The Henry Hub spot price of natural gas averaged $6.94 per thousand cubic feet (mcf) in October and is expected to rise as consumption increases with the onset of winter over the coming months. The Henry Hub spot price is projected to reach a winter peak monthly average price of about $8.65 per mcf in January 2008. On an annual basis, Henry Hub spot prices are expected to average $7.30 per mcf in 2007 and $8.01 per mcf in 2008.

This concludes my statement, Madam Chairwoman, and I will be happy to answer any questions you and the other Members may have.

Table WF01. Selected U.S. Average Consumer Prices[a] and Expenditures for Heating Fuels During the Winter
Energy Information Administration/Short-Term Energy Outlook – November 2007

	Winter of							Forecast	
Fuel / Region	01-02	02-03	03-04	04-05	05-06	Avg.01-06	06-07	07-08	% Change
Natural Gas									
Northeast									
Consumption (mcf)**	67.7	84.3	79.9	79.7	75.8	77.1	74.7	76.6	2.5
Price ($/mcf)	9.41	9.99	11.77	13.01	16.82	12.19	14.74	15.69	6.4
Expenditures ($)	637	842	941	1,038	1,242	948	1,101	1,201	9.1
Midwest									
Consumption (mcf)	78.2	92.3	85.7	85.3	82.3	84.8	84.9	85.6	1.2
Price ($/mcf)	8.26	7.61	8.77	10.04	13.42	9.21	11.05	12.26	10.9
Expenditures ($)	490	702	751	857	1,104	781	938	1,053	12.2
South									
Consumption (mcf)	52.7	60.4	55.4	53.8	53.5	55.2	54.6	54.4	-0.3
Price ($/mcf)	8.17	9.03	10.67	12.17	16.46	11.25	13.59	15.11	11.2
Expenditures ($)	431	545	591	655	881	621	742	823	10.9
West									
Consumption (mcf)	47.8	45.1	46.1	47.1	47.0	46.6	47.6	48.6	2.2
Price ($/mcf)	7.08	7.55	8.84	10.18	12.95	9.33	11.20	12.17	8.8
Expenditures ($)	338	340	408	479	609	435	533	591	11.0
U.S. Average									
Consumption (mcf)	62.5	71.2	67.2	66.8	64.5	66.4	65.8	66.6	1.2
Price ($/mcf)	7.45	8.42	9.81	11.12	14.65	10.27	12.36	13.52	9.4
Expenditures ($)	465	600	659	743	945	682	813	900	10.7
Households (thousands)	59,264	59,096	59,708	60,364	61,036	59,893	61,721	62,385	1.1
Heating Oil									
Northeast									
Consumption (gallons)	544.8	676.1	641.6	641.4	593.0	619.4	599.2	614.1	2.5
Price ($/gallon)	1.16	1.42	1.46	1.93	2.45	1.69	2.59	3.06	22.3
Expenditures ($)	641	963	935	1,237	1,453	1,046	1,553	1,878	25.4
Midwest									
Consumption (gallons)	449.4	533.8	492.9	486.9	469.4	486.5	487.7	496.7	1.8
Price ($/gallon)	1.03	1.35	1.34	1.84	2.38	1.59	2.40	3.01	25.5
Expenditures ($)	463	720	661	895	1,116	771	1,168	1,493	27.8
South									
Consumption (gallons)	342.9	423.7	398.2	382.9	377.8	385.1	366.1	378.2	3.2
Price ($/gallon)	1.13	1.41	1.45	1.95	2.45	1.68	2.37	2.98	25.7
Expenditures ($)	387	597	578	746	925	646	872	1,132	29.7
West									
Consumption (gallons)	338.9	304.6	318.2	327.7	327.3	323.3	327.2	340.5	4.1
Price ($/gallon)	1.09	1.39	1.48	1.98	2.50	1.68	2.57	3.07	19.4
Expenditures ($)	369	422	473	650	817	544	842	1,046	24.3
U.S. Average									
Consumption (gallons)	542.6	658.7	624.7	622.4	584.2	606.5	590.6	604.5	2.3
Price ($/gallon)	1.16	1.41	1.44	1.92	2.45	1.68	2.48	3.05	22.7
Expenditures ($)	627	932	903	1,198	1,430	1,018	1,466	1,841	25.6
Households (thousands)	8,071	7,883	7,867	7,869	7,866	7,911	7,857	7,856	0.0

Table WF01. Selected U.S. Average Consumer Prices* and Expenditures for Heating Fuels During the Winter
Energy Information Administration/Short-Term Energy Outlook – November 2007

Fuel / Region	Winter of							Forecast	
	01-02	02-03	03-04	04-05	05-06	Avg 01-06	06-07	07-08	% Change
Propane									
Northeast									
Consumption (gallons)	741.2	914.5	870.1	869.3	807.8	840.6	816.1	835.5	2.4
Price ($/gallon)	1.40	1.55	1.65	1.87	2.20	1.74	2.29	2.69	17.3
Expenditures ($)	1,040	1,414	1,436	1,629	1,774	1,459	1,870	2,245	20.0
Midwest									
Consumption (gallons)	733.1	858.1	785.2	790.3	765.2	785.2	791.6	804.7	1.6
Price ($/gallon)	1.00	1.07	1.20	1.42	1.87	1.27	1.74	2.13	22.0
Expenditures ($)	734	918	955	1,119	1,275	1,000	1,380	1,711	24.0
South									
Consumption (gallons)	484.7	574.7	532.8	513.8	517.5	526.7	518.5	521.7	0.6
Price ($/gallon)	1.24	1.45	1.57	1.79	2.12	1.63	2.16	2.56	19.3
Expenditures ($)	613	835	838	918	1,096	860	1,121	1,345	20.0
West									
Consumption (gallons)	618.5	582.5	530.0	599.3	596.3	587.4	665.2	614.4	1.5
Price ($/gallon)	1.25	1.38	1.54	1.78	2.06	1.61	2.18	2.53	16.5
Expenditures ($)	776	805	906	1,068	1,245	960	1,322	1,551	17.4
U.S. Average									
Consumption (gallons)	534.5	718.3	679.5	670.4	657.0	672.2	669.0	678.2	1.4
Price ($/gallon)	1.16	1.29	1.42	1.64	1.95	1.45	2.02	2.36	16.8
Expenditures ($)	736	926	962	1,102	1,281	1,002	1,349	1,622	20.2
Households (thousands)	4,979	4,906	4,929	4,951	4,965	4,950	5,020	5,058	0.7
Electricity									
Northeast									
Consumption (kwh*)**	9,956	10,529	10,128	10,109	9,564	9,857	9,643	9,815	1.8
Price ($/kwh)	0.111	0.109	0.114	0.117	0.133	0.117	0.139	0.142	2.6
Expenditures ($)	987	1,148	1,153	1,183	1,272	1,151	1,337	1,395	4.4
Midwest									
Consumption (kwh)	10,224	11,397	10,850	10,792	10,552	10,763	10,784	10,896	1.0
Price ($/kwh)	0.075	0.074	0.075	0.077	0.081	0.076	0.086	0.088	2.4
Expenditures ($)	762	841	818	830	853	821	923	955	3.4
South									
Consumption (kwh)	8,171	8,817	8,446	8,304	8,297	8,407	8,341	8,348	0.1
Price ($/kwh)	0.075	0.074	0.078	0.082	0.092	0.080	0.096	0.097	1.1
Expenditures ($)	615	650	655	677	763	672	799	808	1.2
West									
Consumption (kwh)	7,284	6,968	7,095	7,189	7,181	7,143	7,195	7,317	1.7
Price ($/kwh)	0.090	0.091	0.091	0.092	0.097	0.092	0.102	0.105	3.0
Expenditures ($)	659	635	642	661	696	659	735	770	4.7
U.S. Average									
Consumption (kwh)	7,980	8,531	8,238	8,190	8,103	8,212	8,158	8,209	0.6
Price ($/kwh)	0.083	0.082	0.085	0.088	0.096	0.087	0.101	0.103	2.0
Expenditures ($)	683	697	699	717	782	712	823	845	2.7
Households (thousands)	30,926	30,992	31,335	31,700	32,035	31,398	32,352	32,680	1.0
All households (thousands)	103,240	102,877	103,839	104,883	105,922	104,152	106,950	107,979	1.0
Average Expenditures ($)	550	670	704	786	948	732	889	986	10.9

Note: Winter covers the period October 1 through March 31.
* Prices include taxes
** thousand cubic feet
*** kilowatthour

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Chairwoman MCCARTHY. Thank you, Mr. Caruso.

Mr. Wolfe?

STATEMENT OF MARK WOLFE, EXECUTIVE DIRECTOR, NATIONAL ENERGY ASSISTANCE DIRECTOR'S ASSOCIATION

Mr. WOLFE. Okay. Good afternoon. I appreciate the opportunity to testify on behalf of the National Energy Assistance Directors' Association, or NEADA, on the importance of the Low Income Home Energy Assistance Program meeting the heating and cooling needs of some of the nation's poorest families.

NEADA represents the state LIHEAP directors. Members of NEADA would first like to take this opportunity to thank the mem-

bers of the subcommittee for its continued program support in working to increase funding for LIHEAP.

By way of background, there are four components of the LIHEAP program: the block grant providing formula grants to states to help low-income families pay their heating and cooling bills and also allows states to transfer up to 15 percent to pay for the companion program, weatherization, which helps families reduce their energy costs through conservation; 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; the Residential Energy Assistance Challenge grant providing competitive discretionary grants to states to develop new strategies to assist households in reducing their home energy burden; and, lastly, the leveraging grants which provides states with additional incentives to raise nonfederal 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 program. This is especially important in years when the appropriation for the federal fiscal year is delayed, as is likely in this year, and states in cold weather states have to start their programs without knowing the final appropriation level.

The LIHEAP appropriation level for FY 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 this amount, $27.3 million of the block grant was set-aside for the REACH and leveraging programs. No advance funding was appropriated.

For FY 2008, the appropriation level as provided in the FY 2008 Labor, Health and Human Services Appropriations Act, as passed by the Congress, would provide the same level for the block grant but increase the emergency contingency funding by $250 million from $181.5 million to $431 million. As in FY 2007, again, no advance funding was appropriated.

The President's budget would have reduced the LIHEAP basic grant to $1.5 billion and provided $282 million in emergency contingency funds. This, in fact, would have been devastating impact on the program. At a minimum, we would have had to eliminate at least a million families in the President's budget.

The authorized level for LIHEAP was increased from $2 billion to $5.1 billion by the Energy Policy Act. The Act also continued the authorization level for emergency funds at $600 million. And I included a table in my testimony showing the allocation of $5.1 billion.

Who receives LIHEAP? More than 70 percent of families receiving LIHEAP have incomes of less than 100 percent of the federal poverty, which is $20,650 for a family of four, and 44 percent have incomes of less than 75 percent of the poverty level, which is $15,500 for a family of four. Families receiving energy assistance carry a higher energy burden than most Americans, spending about 15 percent on home energy bills, compared to about 3.4 percent for all Americans.

A major concern of state energy officers this year is the declining purchasing power of the program. This is largely because federal

funding has just not kept up with the rise in energy prices. Unfortunately, energy prices are soaring. Home heating prices projected by the Energy Information Administration could reach almost $1,000 this year for a typical family, an increase of almost 80 percent of the cost of home heating during the winter of 2001-2002 and 47 percent more than the year 2002-2003.

And just by fuel type—this is what really concerns us—in 2003, it cost $951 to heat your home with heating oil. This coming year, according to the Energy Information Administration, it is $1,841. We think it will go even higher because global prices are approaching $100 a barrel. We think it is going to $2,200, which would be just plain devastating for low-income families in the Northeast.

Natural gas has gone from $600 to $900 in this period. Propane from $926 to $622. And, again, propane tends to track oil prices. Electricity has gone from $697 to $845. And it is just not an issue of home heating. Electricity is used for cooling, and across the South, we are looking at rising electricity prices. We are very, very concerned about the impact of these prices on cooling, especially in that part of the country.

We have been tracking and trying to put this in perspective in terms of rising energy prices showing how the purchasing power is declining, and, for example, 4 years ago, heating oil would buy about 36.7 percent of the average cost. I am sorry. The grant would buy about 36.7 percent of the cost of home heating with heating oil. Now it is about 20 percent. Natural gas would pay more than 50 percent of the cost of home heating. Now we are down to 37 percent; propane, 37 down to 22; and so on. What it is showing is that the grant is not keeping up with the increase in prices.

The other thing that is of concern is from 2003 to 2007, the number of households receiving energy assistance increased by 26 percent from $4.6 million to about $5.8 million in 2007, or about 15.6 percent of the eligible population. During the same period, the federal appropriation increased by only 10 percent, with the resulting average grant declining from $349 to $305. This would not be a problem if energy prices were decreasing proportionally or remaining stable.

So what does this mean for 2008? We started surveying states about a week ago and saying, "Well, what do you plan to do? You know, if grants stay about the same level—if the appropriation stays about the same level or it goes up by 10 percent—how will you set your grants?" And what I thought they were going to do was say, "Look, we are going to follow the same pattern as previous years. We will decrease the grants in order to adjust to increasing applications."

Instead what they have decided is that the grant has reached the point where it cannot be decreased any further, and so what they are planning to do in the absence of additional funding—this includes the $250 million that is in the budget passed by Congress—they are projecting decreases of 10 percent to 20 percent on the number of families that can be served. So we are expecting to go from about 5.8 million in 2007 to about 4.9 million families. It would increase the average grant from about $305 to $400 on average. This would really be tragic in several ways because with rising

energy prices, we are expecting more families to come into the program.

I think—one more thing I would just like to mention—we have a strong partnership with utilities, and part of those programs, especially around the areas of arrearage management, are not working as well, as families have fewer dollars to match the kinds of matching programs we have to make up for overdue payments, and so what we are seeing is a very, very stretched program.

Additional funding for LIHEAP can help to address rising arrearages and shutoffs, allow the states to reach out to vulnerable households and avert the type of hardships we know happen with families who do not have sufficient funds to pay their home energy bills. Adequate funding for LIHEAP can help families avert the need to choose between paying their heating and cooling bills and other vital household necessities, like food, medicine, and other essentials.

The authorized level of $5.1 billion to provide sufficient funds to increase grant levels to adjust for inflation and 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. I welcome any questions or requests for additional information.

[The statement of Mr. Wolfe follows:]

TESTIMONY OF

MARK WOLFE, EXECUTIVE DIRECTOR

THE NATIONAL ENERGY ASSISTANCE DIRECTORS' ASSOCIATION

ON THE

THE LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

BEFORE THE SUBCOMMITTEE ON

HEALTHY FAMILIES AND COMMUNITIES

COMMITTEE ON EDUCATION AND LABOR

U.S. HOUSE OF REPRESENTATIVES

November 13, 2007

Contact: National Energy Assistance Directors' Association
202-237-5199, www.neada.org

Good afternoon, I am pleased to testify on behalf of the National Energy Assistance Directors' Association (NEADA) on the importance of the Low Income Home Energy Assistance Program (LIHEAP) in meeting the heating and cooling needs of some of the nation's poorest families. NEADA represents the state LIHEAP directors. The members of NEADA would like to first take this opportunity to thank the members of the Subcommittee for its continued program 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 one 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 states in 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.

Authorization and Appropriations Levels

The LIHEAP appropriation level for FY 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 FY 2008, the appropriation level as provided in the FY 2008 Labor, Health and Human Services and Education Appropriations Act, as passed by the Congress, would provide the same level for the block grant and increase the emergency contingency funding level by $250 million from $181.5 million to $431 million. As in FY 2007, no advance funding was appropriated.

The President's Budget would have reduced the LIHEAP basic grant appropriation to $1.5 billion and provided $282 million in emergency contingency funds.

The authorization level for LIHEAP was increased from $2 billion to $5.1 billion by the Energy Policy Act in FY 2005. The Act also continued the authorization level for emergency funds at $600 million. The program's authorization expired at the end of FY 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 FY 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 5.8 million in FY 2007. Even at this level, the program serves only 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 five.

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). These families also have very low incomes: 74 percent have incomes below $15,000 and 50 percent have incomes below $10,000.

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 five 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

LIHEAP: FY 08 Basic Grant Appropriations Status ($'000)					
State	FY 2006	FY 2007	FY 08 President	FY 08 Congress	Energy Policy Act
Alabama	$31,310	$16,770	$12,645	$16,770	$87,205
Alaska	16,475	10,704	8,071	10,704	26,002
Arizona	15,142	8,110	6,115	8,110	42,233
Arkansas	22,765	12,796	9,648	12,796	47,082
California	153,182	89,963	67,835	89,963	316,814
Colorado	43,165	31,367	23,652	31,367	58,158
Connecticut	62,727	40,920	30,855	40,920	98,878
Delaware	10,140	5,431	4,095	5,431	21,871
District of Columbia	7,851	6,355	4,792	6,355	16,239
Florida	49,541	26,534	20,007	26,534	138,181
Georgia	39,170	20,979	15,818	20,979	109,253
Hawaii	2,555	2,113	1,593	2,113	5,284
Idaho	14,370	12,235	9,226	12,235	29,721
Illinois	187,251	113,259	85,401	113,259	301,871
Indiana	72,682	51,280	38,666	51,280	111,654
Iowa	50,013	36,343	27,404	36,343	60,776
Kansas	26,798	16,690	12,585	16,690	55,424
Kentucky	44,346	26,686	20,122	26,686	91,718
Louisiana	32,009	17,144	12,927	17,144	85,072
Maine	36,480	26,509	19,989	26,509	47,034
Maryland	58,499	31,332	23,625	31,332	136,730
Massachusetts	112,639	81,853	61,720	81,853	157,890
Michigan	147,974	107,529	81,080	107,529	199,566
Minnesota	106,606	77,469	58,414	77,469	90,280
Mississippi	26,843	14,377	10,841	14,377	74,871
Missouri	76,035	45,240	34,112	45,240	123,142
Montana	22,088	14,351	10,821	14,351	34,861
Nebraska	27,661	17,973	13,552	17,973	43,658
Nevada	7,112	3,809	2,872	3,809	19,836
New Hampshire	23,846	15,493	11,683	15,493	37,634
New Jersey	105,244	75,986	57,296	75,986	160,368
New Mexico	11,925	10,153	7,656	10,153	24,663
New York	341,432	248,112	187,084	248,112	471,752
North Carolina	69,037	36,976	27,881	36,976	164,462
North Dakota	23,995	15,590	11,755	15,590	37,869
Ohio	158,789	100,194	75,549	100,194	252,854
Oklahoma	28,780	15,415	11,623	15,415	64,604
Oregon	24,591	24,311	18,331	24,311	42,504
Pennsylvania	183,399	133,273	100,492	133,273	272,515
Rhode Island	20,737	13,473	10,159	13,473	32,728
South Carolina	24,866	13,318	10,042	13,318	69,357
South Dakota	19,488	12,662	9,548	12,662	30,756
Tennessee	46,362	27,033	20,384	27,033	95,888
Texas	82,421	44,144	33,286	44,144	229,887
Utah	22,434	14,576	10,991	14,576	35,407
Vermont	17,872	11,613	8,757	11,613	28,208
Virginia	71,258	38,166	28,778	38,166	149,727
Washington	40,449	39,988	30,152	39,988	64,001
West Virginia	23,818	17,660	13,317	17,660	49,261
Wisconsin	95,961	69,733	52,581	69,733	105,404
Wyoming	8,983	5,836	4,401	5,836	14,176
Territories/HHS Training	3,658	2,951	2,294	2,951	7,171
Leveraging	27,225	27,225	27,500	27,225	27,500
Total	**$2,980,000**	**$1,980,000**	**$1,500,023**	**$1,980,000**	**$5,100,000**

1/ FY 06 included $1 billion in supplemental funding.
2/ FY 07 included $181 million in emergency contingency funding
3/ Adm. FY 08 Budget included $282 million in contingency funds
4/ FY 08 Appropriations, as passed, included $432 million in contingency.

(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 shut-offs 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 FY 1986 will receive less than the amount of funds it would have received in FY 1984 if appropriations for this part for FY 1984 had been $1.975 billion. FY 1984 funds were distributed to states on the same share of funds they received in FY 1981 under the predecessor program to LIHEAP, the Low-Income Energy Assistance Program (LIEAP). The FY 1981 allotment percentages were derived from an extremely complex formula 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 LIHEAP block grant appropriation exceeds $1.975 billion (only in FY 1985, FY 1986 and FY 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 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

Between FY 2003 and FY 2007 the number of households receiving assistance increased by 26 percent from 4.6 million to about 5.8 million or about 15.6 percent of the eligible population. During this same period, the federal appropriation increased by only 10 percent with the resulting average grant declining from $349 to $305. This would not be a problem if energy prices were decreasing proportionally or remaining stable.

Unfortunately, energy prices are soaring. Home heating prices are projected by the US Energy Information Administration (EIA) to reach almost $1,000 this year for the typical family, an increase of almost 80 percent higher than the average cost of home heating during the winter of 2001-02 and 47 percent higher than 2002-03. As a result, there has been a significant decrease in the program's purchasing power.

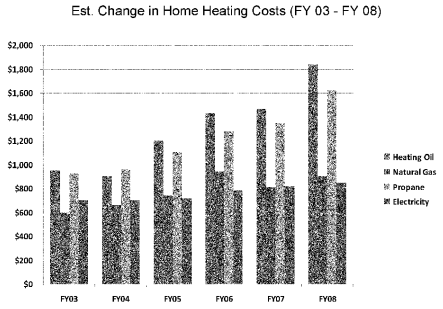
Between FY 2003 and FY 2007, as shown in the following tables, the average LIHEAP grant began to decline as a percentage of total home heating costs. As shown in the following tables, the purchasing power for heating oil declined from 36.7 percent to 20.8 percent, natural gas from

58.2 percent to 37.6 percent, propane from 37.7 percent to 22.6 percent and electricity from 50.1 percent to 37.1 percent.

LIHEAP is not only a heating program; it also provides cooling assistance, which is especially important to the elderly. While we do not yet have price data for summer cooling, we are concerned that rising electric prices are also limiting the ability of LIHEAP to help families pay their cooling bills.

Outlook for FY 2008

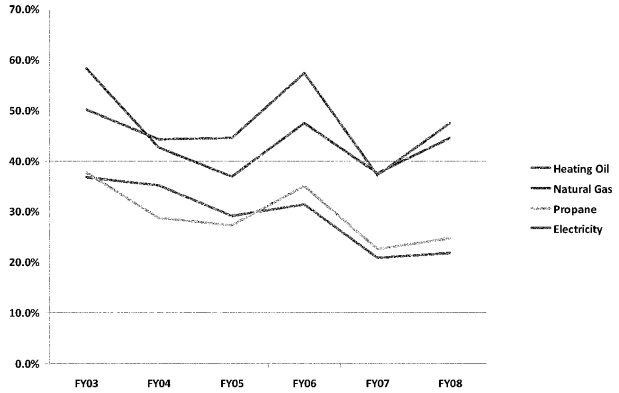
We are currently conducting a state survey to find out how states are planning to set benefit and eligibility levels for FY 2008 in light of rising energy prices and the current funding level. In summary, states are reporting that the program cannot sustain further cuts in benefit levels without significantly reducing the program's purchasing power. As a result they are planning to reduce the number of households served by about 15 percent in the absence of additional federal and supplemental state funding. The result would be a decline in the number of households served from about 5.8 million in FY 2007 to 4.9 million with the average grant increased from $305 to $400.



Est. Change in Home Heating Costs (FY03-FY08)

Fiscal Year	Heating Oil	Natural Gas	Propane	Electricity
2003	$951	$600	$926	$697
2004	$903	$659	$962	$699
2005	$1,198	$743	$1,102	$717
2006	$1,430	$945	$1,281	$782
2007	$1,466	$813	$1,349	$823
2008	$1,841	$900	$1,622	$845
% Change 03-08	93.6%	50.0%	75.2%	21.2%

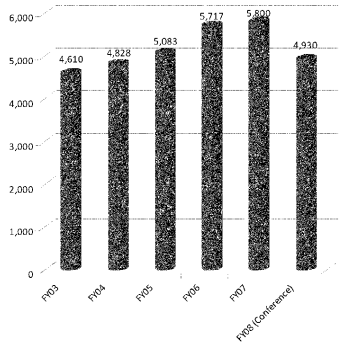
Est. Average % of Home Heating Purchased with LIHEAP (FY03-08)



Est. Average % of Home Heating Purchased with LIHEAP (FY 03- FY 08)

Fiscal Year	Heating Oil	Natural Gas	Propane	Electricity
2003	36.7%	58.2%	37.7%	50.1%
2004	35.1%	42.6%	28.8%	44.2%
2005	29.1%	36.9%	27.2%	44.5%
2006	31.3%	47.4%	35.0%	57.3%
2007	20.8%	37.6%	22.6%	37.1%
2008	23.1%	47.3%	26.2%	50.3%

Est. Change in Households Served (FY 03 - FY 08)
# of Households (in thousands)



Est. Change in Households Served & Average Grant (FY 03- FY 08)

Fiscal Year	Appropriation (in thousands)	# of Households (in thousands)	Average Grant
2003	$1,988,300	4,610	$349
2004	$1,888,790	4,828	$317
2005	$2,186,000	5,083	$348
2006	$3,162,000	5,717	$448
2007	$2,186,000	5,800	$305
2008 (Conference)	$2,436,000	4,640	$425

The following provides a brief summary from several of the initial group of states that have responded to the survey:

- Arizona: the state continues to struggle in meeting the increasing demand for LIHEAP services due to various factors working together as the "perfect storm" to deplete all available resources. Providers report that requests for energy assistance services continue to increase and include inquiries from non-traditional populations who are in financial distress due to the sub-prime lending problem. One of the largest utility companies the state has reported a 42 percent increase in calls to its customer service department from September 2006 to September 2007, most calls from customers who cannot pay their home energy bills. One LIHEAP provider (the Community Action Human Resources Agency in Pinal County) reported a total of 1,000 families turned away due to lack of funds between August and September of 2007. In FY 2007, Arizona served approximately 33,000 households with LIHEAP benefits. However due to the sharp decrease in funding, together with an increase in energy costs, Arizona estimates that at least 10,000 fewer families will be served in 2008.

- Arkansas: the state expects to reduce the number of households served by up to 20 percent as compared to the number served in FY 2007.

- California: the state expects to serve fewer households and will have to reduce the amount of funding available for weather-related (and fire-related) emergencies and disasters than they have used in the past. No change has been implemented in the eligibility criteria or benefit structure. The maximum benefit is still $200 and with higher prices that won't cover much. The maximum for emergency assistance will remain at $1,000 and that may not be enough to prevent cutoffs of utility service as energy costs increase. They are only able to serve eight percent of the eligible population and there has been an increase in the number of applications at the local level - with some local agencies exhausting their allocations sooner. The available funding will be prioritized to those with the lowest income and highest energy burden.

- Connecticut: the state set their income eligibility level at 60 percent of state median income as a result of state statute. Benefits were also set in statute. There is concern that the high cost of fuel will result in households exhausting their benefits early in the heating season and there will not be sufficient funding available to provide adequate benefit levels throughout the winter heating season.

- Delaware: the state will serve up to 20 percent fewer households than in FY 2007 in order to maintain adequate benefit levels. Delaware's average benefit is $355 which currently buys at least 100 gallons of heating oil, propane or kerosene. While the $355 benefit is not a problem for those homes heating primarily with gas or electricity, approximately 50 percent of Delaware's LIHEAP households heat with delivered fuel. In many situations vendors will not deliver less than 100 gallons of fuel to a home without adding a surcharge. For this reason, the state did not want to lower their benefit levels from last year.

In some rural areas the minimum delivery is 150 gallons. If the state were to lower the average benefit, LIHEAP or the customer would be paying a premium just to have the fuel delivered. The state believes that this approach would be unacceptable and therefore they have opted not to reduce the benefit level this year. In many instances the LIHEAP benefit is only about 20 percent of the households total winter heating bill; if the winter is especially cold, the LIHEAP percentage will be even lower.

- Kentucky: the state is expecting to maintain benefit and eligibility levels; in light of the reduction in federal funding, they are expecting to have to reduce the number of households served. With last year's funding, Kentucky was able to serve 100,566 households with basic grant funds and 123,728 with crisis assistance. Kentucky's program generally operates until the end of March and into April as funding allows, but could run out of funds as early next February. Kentucky has made no change to its eligibility criteria or benefit structure, but will reduce the number served as necessary based on final funding.

- Maine: for the more than 84 percent of the LIHEAP households that heat with oil or kerosene, the cost of oil as of 11/6/07 averaged $3.09 per gallon and kerosene at $3.40 per gallon. An average benefit of $579 to service 48,000 households will only purchase 193 gallons of oil and kerosene at $3.40 will only purchase 170 gallons. This will provide two to three weeks of home heating in most low income housing. The average household's income is $13,000 annually, many senior citizens with only $7,000 a year to survive on. Right now Maine would need to receive another $17.5 million just to provide a $370 supplemental benefit to LIHEAP households and this will still not provide the same relief as in past program years.

- Maryland: the state increased their grant amounts this year but reduced eligibility from 200 percent of the federal poverty level to 175 percent. Governor O'Malley has stated that Maryland will serve all who apply and are qualified and has stated that "we will find the money" to serve them.

- Michigan: the state reduced the maximum amount it will pay to prevent shut-off or to restore payments from $550 per household to $350 per household for natural gas and electricity and from $850 to $650 for households using deliverable fuels in June 2007 due to lack of sufficient funds to meet the demand during the last fiscal year that ended 9/30/07. Michigan will continue that reduction into FY 2008 and is closely monitoring weekly expenditures with these reduced maximums in place to determine if additional reductions will be needed to stay within available funds. If the high rate of expenditures the state experienced in October continues, an additional reduction in these maximums will be needed without additional funds.

- Minnesota: the state is maintaining current eligibility and benefit levels but could run out of funds as early as February.

- Nebraska: deliverable fuels make up around 12 percent of the heating fuels used; the rest is provided by natural gas and electricity. Nebraska is not planning on reducing benefits but is looking at how much they can pay in crisis funds for a household this early in the heating year. Nebraska runs a year around crisis program along with a cooling program and will

continue to make heating/cooling payments and crisis payments as long as they have the funding to do so.

- New York: the state has increased the program's maximum regular grant by $100 to $540 in order to maintain the program's purchasing power. The program has only been open for two weeks and they are finding many situations where a regular and an emergency grant must be issued simultaneously for deliverable fuel customers to be able to meet minimum delivery requirements. This means that a household's entire LIHEAP benefit amount will be exhausted in November. If additional funding is not provided, the state will have to reduce the number of households receiving benefits.

- Ohio will have to cut back its regular benefit by between 15 and 20 percent. The cost of all utilities are up across the board, mostly for propane and heating oil. In addition, Ohio has already received about 10 percent more applications this year than last year at this time.
- Pennsylvania: the state is planning on maintaining current eligibility and benefit requirements but anticipated serving fewer households if federal funding is not increased.

- Rhode Island: the state expects to serve 15 percent fewer families this year compared to last year. Rhode Island has reduced its average primary grant benefit from $475 to $350. Even with reducing the average benefit, Rhode Island will assist approximately 15 percent fewer families as compared to last winter.

- Texas: the state operates a year-round energy assistance program. Their eligibility criteria is set at 125 percent of the federal poverty level. They are expecting to serve only six percent of the eligible population, down from seven percent in FY 2008.

- Virginia: the state will serve all eligible households who apply during the application period. In order to do so, they are expecting to reduce the percent of heating costs covered by the program grant. The state is concerned that as a result of the expected reduction in purchasing power, it could prove to be very difficult for households that use deliverable fuel, since most vendors have minimum delivery requirements that will likely well exceed their benefit amounts.

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.

Arrearages and Shut-Offs

NEADA has also been tracking the impact of rising energy bills on low income families. Last spring, 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.

What Happens When Families Do 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), 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 barbeque 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 without 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 three 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 secure households are more likely to be in poor health; have a history of hospitalization; be at risk of developmental problems and be food insecure."

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. I would welcome any questions or requests for additional information on this important program.

Chairwoman MCCARTHY. Thank you, Mr. Wolfe.

Ms. Barlow?

STATEMENT OF LINDA BARLOW, VICE PRESIDENT, COMMUNITY ALTERNATIVE PROGRAMS, EDUCATION AND ASSISTANCE CORP.

Ms. BARLOW. Okay. Good afternoon. I would like to thank the committee for giving me the opportunity to testify today on this very important topic.

I am here representing the Education & Assistance Corporation, also known as EAC. Established in 1969, EAC administers over 70 programs across Long Island and the five boroughs of New York

City, assisting more than 45,000 people annually. Our unique programs provide services for people with substance abuse addictions, students experiencing learning difficulties, child victims of abuse or caught in the foster care system, frail elderly individuals needing support and guidance, and public assistance recipients seeking work.

EAC assists people with basic living support, such as those who need help with utility payments. Due to the rising costs of energy, growing population of the elderly on fixed incomes, and the cold winters, these numbers are increasing daily.

EAC has been administering the HEAP program since 1991. In the 2006-2007 heating season, we assisted 5,051 applicants. The program provides eligible households with benefits to assist with their heating and utility costs. EAC is under contract with the Nassau County Department of Social Services to process HEAP applications.

Eligible HEAP applicants may also apply for additional services in our office. HEAP staff process applications for Verizon's LIFELINE Program, which offers discounted telephone services for eligible clients. Clients who have exhausted their HEAP benefits may also apply for Project Warmth, which help clients who are in immediate need of oil or who have been scheduled termination. Project Warmth benefits are provided by the United Way and LIPA.

In addition to HEAP, EAC also implements the Weatherization Referral and Packaging Program to assist low-income families in meeting home energy and safety needs. WRAP helps to identify energy-related structural problems in homes and makes arrangements for the correction of these problems.

Almost two decades of administering HEAP gives our agency a breadth and depth of experience with the program. It is our contention that with rising heating costs coupled with the high cost of living on Long Island, many residents would be cold, hungry and possibly homeless without HEAP.

Applicants line up at our door starting at 7:00 a.m. when the HEAP season starts. They are anxious and afraid of what the winter will bring. Many are vulnerable senior citizens who fear having to make a choice between getting their prescribed medications or staying warm.

I just want to share with you a brief vignette to demonstrate how essential HEAP is. Mr. Jones applied for HEAP assistance on a cold February morning. He was interviewed by a worker and submitted all of the required documents to process his application. The application was approved for an oil benefit of $400. He thanked the worker and left the office.

About an hour later, we noticed Mr. Jones still sitting in the reception area. Once again, we informed him that his application was approved and that he would receive the oil within 72 hours. This very tall frail 80-year-old man looked the worker in the eyes and said, "Yes, Ma'am. Thank you. I was just sitting here a while to warm up before I started walking home." Home was eight miles away.

It turns out that he had run out of oil during the night, had no money and did not have an oil contract with a company. EAC staff immediately went into turbo mode, and while he waited, we were

able to get him a new winter coat, blankets and paid for a taxi to take him home.

Despite an increasing number of applicants, our agency's funding has remained set for the last 13 years. We currently receive $190,900 to operate HEAP and $30,916 for WRAP. With inflation and all other costs related to the program escalating, this has made it almost impossible to continue the program. Staff is severely undercompensated and, each year, they have to be laid off earlier in the season. As efficient as we are, waiting time for new applicants is now longer, averaging two and a half hours, as we do not have adequate staff. Despite our best efforts, we are losing ground.

Heating costs for an average family using heating oil are projected to soar this year. Low-income Americans can least afford price increases. In 2007, the average American household will spend nearly $5,000 for residential energy services and gasoline. The 61 million households with annual incomes of $50,000 or less, the majority of American households, will spend 18 percent of their after-tax income on energy. In 1997, energy consumed just 10 percent of the after-tax income of these working families.

HEAP has been a Godsend to the vulnerable population in Nassau County. The program needs to be reauthorized. However, reauthorization at the current level will not solve the problem. Agencies that implement HEAP need to receive enough money to properly serve their constituents in their time of need.

Thank you very much.

[The statement of Ms. Barlow follows:]

Prepared Statement of Linda Barlow, Vice-President of Community Alternative Programs, EAC, Inc.

Overview

Established in 1969, EAC administers over 70 programs across Long Island and the 5 boroughs of New York City, assisting more than 45,000 people annually. Our unique programs provide services for people with substance abuse addictions, students experiencing learning difficulties, child victims of physical or sexual abuse or caught in the foster care system, frail elderly individuals needing support and guidance, and welfare recipients seeking work.

EAC assists people with basic living support, such as those who need help with utility payments. Due to the rising costs of energy, growing population of the elderly on fixed incomes, and the cold winters, these numbers are increasing daily. Our home energy programs assist these low income families in meeting the cost of energy and utility expenses, safety needs and also identify energy-related structural problems in homes, making arrangements for correction of these problems.

The Education and Assistance Corporation (EAC) has been administering the HEAP program since 1991. In the 2006/2007 heating season, we served 5,051 applicants. The program provides eligible households with benefits to assist with their heating and utility costs. EAC is under contract with the Nassau County Department of Social Services to process HEAP applications. Gross income includes but is not limited to salary, pension/retirement benefits, social security, unemployment benefits and worker's compensation. All applicants are interviewed by a worker to evaluate their application and determine eligibility.

Eligible HEAP applicants may also apply for additional programs in our office. HEAP staff process applications for Verizon's LIFELINE Program, which offers discounted phone service for eligible clients. Clients who have exhausted their HEAP benefits may apply for PROJECT WARMTH benefits, which helps clients who are in immediate need of oil or who have scheduled termination notice for LIPA. Project Warmth benefits are provided through United Way and LIPA. Voter registration applications are also available for clients. Additional referrals are given for Food Stamps, Public Assistance and Emergency Assistance.

Funding: Funding for EAC's HEAP program is provided by Nassau County Department of Social Services.

In addition to HEAP, EAC also implements the Weatherization Referral and Packaging Program to assist low income families in meeting home energy and safety needs. Working in combination with the Home Energy Assistance Program, WRAP helps to identify energy-related structural problems in homes and makes arrangements for correction of identified problems.

Weatherization is an essential part of assisting families in need of home energy assistance. In order to ascertain a household's needs, WRAP staff may conduct a home assessment to identity any apparent energy-related structural deficiencies. The WRAP Coordinator identifies any immediate needs necessary and assesses any other issues related to social, health or safety problems. If repairs are needed, WRAP staff serve as a liaison with the Weatherization Assistance Provider, helping to guide clients through the service process and working with the Weatherization Provider to ensure delivery of services. Recommendations may include insulation and caulking of windows and doors, repair of broken windows, replacement of doors, repairs on the heating system or wrapping of pipes and water heaters.

Clients receive a directory outlining other agencies offering assistance with housing, home repairs, financial information, emergencies, weatherization, food pantries and crisis intervention.

Funding: Funding for HEAP is provided by Nassau County Department of Social Services.

Successes

Almost two decades of administering HEAP gives our agency a breadth and depth of experience with the program. It is our contention that with rising heating costs coupled with the high cost of living on Long Island, many Long Islanders would be cold, hungry and possibly homeless without the HEAP program. County residents line up at our door starting at 7:00 a.m. when the HEAP season starts. They are anxious and afraid of what the winter will bring. Many are vulnerable senior citizens and their issues are complex. They depend on HEAP to get them through the long winter months.

I just wanted to share with you a brief vignette to show you how essential HEAP is. Mr Jones applied for HEAP assistance on a cold February morning. He was interviewed by a worker and submitted all of the required documents to process his application. The application was approved for a Regular Oil benefit for $400.00. He thanked the worker and left the office. About an hour later we noticed Mr. Jones sitting in the reception area and called him into the office. Once again we informed him that his application was approved and he would receive the oil within 72 hours. This very tall frail eighty year old man looked the worker in the eyes and said, "yes Ma'am thank you, I was just sitting here for a while to warm up before I start walking back home." Home was 8 miles away, on this very cold and snowy day.

It turns out he ran out of oil during the night and had no money for oil and did not have an oil contract with a company. He never mentioned this or the fact that his oil burner was completely off and needed a prime to start up again. He said that if he informed us that he needed a prime he would receive less oil and preferred to prime the burner himself. EAC staff immediately went into turbo mode, while he waited, we were able to get him a new winter coat, blankets and called and paid for a cab to take him home.

Challenges

Despite an increasing number of applicants over the years, our agency's funding has remained stagnant for the last thirteen years. We currently receive $190,900 to operate HEAP and $30,916 to operate WRAP. With inflation and all other costs related to the program escalating, this has made it almost impossible to operate the program. Staff are severely under compensated and each year we have to lay them off earlier in the season. As efficient as we are, waiting time for new application's is longer (now averaging 2.5 hours) as we do not have the staff for adequate assistance. Despite our best efforts, we continue to feel like we are losing ground.

Conclusion

Heating costs for an average family using heating oil are projected to soar this winter. Lower income Americans can least afford price increases. In 2007, the average American household will spend nearly $5,000 for residential energy services and gasoline—The 61 million households with annual incomes of $50,000 or less-the majority of American households—will spend 18% of their after-tax income on energy. In 1997, energy consumed just 10% of the after-tax income of these working families. HEAP and WRAP have been a God send to the vulnerable population in Nassau County. The program needs to be reauthorized . However, reauthorization without additional financial support will not solve the problem. Agencies and programs

that implement HEAP need to receive enough money to properly serve their constituents in their time of need.

Chairwoman MCCARTHY. Thank you, Ms. Barlow.

Mr. Swanson?

STATEMENT OF LARRY SWANSON, EXECUTIVE DIRECTOR, ACTION HOUSING

Mr. SWANSON. Chairwoman McCarthy, Ranking Member Platts of Pennsylvania and other members of the committee—and I would like to mention that we serve under—the weatherization program I am going to talk about—part of Jason Altmire's district who, I believe, is also a member of the committee. So I am one of his constituents in that matter.

I want to thank the committee for giving me the opportunity to testify about something that is very important to us at ACTION-Housing. My remarks today represent both ACTION-Housing, which is a regional nonprofit housing provider and the single largest provider of weatherization services in the State of Pennsylvania as a nonprofit and the weatherization task force. The weatherization task force is the 42 nonprofit and public agencies in Pennsylvania who deliver energy conservation services in crisis, emergency and no heat services every year in Pennsylvania.

This is a huge, really important program for us. My organization has been doing weatherization for 25 years. We have done about $50 million worth of weatherization improvements in the City of Pittsburgh, Allegheny County and Washington and Green Counties, which we also serve.

Why is a nonprofit in housing so heavily engaged in energy conservation? The answer is simple: Our mission is to help people create safe, secure, affordable housing. Other than the cost of rent or for a mortgage, the single largest component is the utility cost that they face, including heating and cooling. So we have long been engaged in this.

I have come here to support the continuation of the option for using LIHEAP funds for weatherization and encourage, as well, the expansion of the program. In Pennsylvania, we use LIHEAP funds both to do the traditional conservation measures, but also to implement a crisis no heat situation throughout the state. Last year, $27 million was used in LIHEAP in Pennsylvania for the energy conservation program. The energy conservation program is essentially a program that is involved in technical evaluation of air infiltration, the heat, the air that we either heat or cool in our environments, and that is the principle measure.

The emergency no heat situation is a program where individuals who apply for LIHEAP cash assistance are given an opportunity to declare a no heat situation, and if they have one, they are immediately referred directly to the state weatherization services who, within 48 hours, have to intervene to determine whether it is a valid situation and intervene. Last year, 5,353 customers received that assistance in Pennsylvania.

The weatherization work that we do based on the task force's own analysis of our own performance achieves conservation savings

of 15 to 35 percent. That amounts to $323 to $763 per household in our state, and it exceeds the one-time benefit of cash assistance.

Why is there so much variation in what is saved? Well, Pennsylvania has a largely older housing stock. Our ability to intervene and provide the air infiltration measures varies tremendously depending upon the housing stock that we start with. Another factor is the quality of the heating equipment that we are dealing with.

In other parts of the country, it is a combination of heating and cooling, and in the southern parts of our country, it is the cooling that is the primary factor.

Much of our heating equipment in housing that is more than 15 years old was designed for 50 percent and 60 percent efficiencies and operates well below 50 percent. The equipment that we are installing operates at 85 percent and 90 percent efficiencies, and in Pennsylvania, we go back and do an annual service for a couple of years afterward, and some of our customers stay with us for long term.

Why is it important to Pennsylvania? Last year was an exceptional year, but most years, $15 million to $18 million, the full 15 percent allotted, is used for the conservation and the crisis intervention program. We serve 4,000 to 5,000 customers a year out of the LIHEAP portion and then combine it with funds provided by the Department of Energy to make the difference. Many of these services that are provided on an emergency basis are minor in nature, but allow the restoration of heat. The program, this year, began on November 5. In our first week of operation, we had 118 referrals at my agency alone to intervene in situations with no heat.

In my remaining time, I want to talk about the importance of LIHEAP funds to our system. We are able to build a larger scale operation than our 42 agencies and respond in a cost-effective manner. In 2004, my agency joined with Allegheny County in its efforts to restore heat to 650 households that were without service due to the impact of Hurricane Ida. It occurred in late September. In a 45-day period, based on the capacity that we had in place because we had the crisis funds to continue to do work, we were able to restore heat in 650 households in Allegheny County by the middle of December.

This year, we had a small but significant for those affected flood situation where 100 families in Congressman Altmire's North Hills District were essentially without heat. Today, we are working with Allegheny County to provide heat for those households without heat below 150 percent of poverty, again using foundation and charitable support for those above that to get people back in their homes.

Thank you very much.

[The statement of Mr. Swanson follows:]

Prepared Statement of Lawrence A. Swanson, Executive Director, ACTION-Housing Inc.

Madam Chairwoman and Committee Members: I am pleased to testify today in support of the utilization of LIHEAP funds for weatherization and emergency CRISIS based upon the experiences of my agency and the 42 other provider agencies in Pennsylvania. We are a diverse group of agencies across the Commonwealth that deliver this important program. We represent non profit housing organizations, com-

munity action agencies and local public housing agencies. We use both private subcontractors and work crew models and mixes of those models to accomplish our work. We work in a State that is ⅓ urban; ⅓ small communities and ⅓ rural. Pennsylvanian's use natural gas, electricity, heating oil, propane, coal and wood to heat their homes. And the State has developed a comprehensive program that responds to all these variables.

Pennsylvania has seen strong leadership on a bi-partisan basis for some time. The Pennsylvania Department of Community and Economic Development (DCED) operates this comprehensive program and engages the operating agencies to design effective delivery systems. DCED also operates a training center for weatherization technicians, supports ongoing pilot programs and engages outside evaluators to help monitor the quality of the measures performs. This September the Governor and Legislature conducted a special session of the Legislature to examine a program for Energy Independence for Pennsylvania and is now considering a wide range of ventures that will assist our State. A centerpiece of this initiative is conservation of energy. It's the single biggest payback that we have today for the investment we make. Residential and commercial energy conservation have proven paybacks for investments and they can be implemented in the short term.

My organization, ACTION-Housing, is a non profit housing organization that operates a diverse set of programs designed to help people achieve secure and self-sufficient lives. Founded in 1957 we have worked to develop affordable housing, deliver important programs that make homes safer and economically viable and a range or programs that help families and individuals become more self-sufficient once they have a stable housing environment. We operate in the City of Pittsburgh, Allegheny County and work extensively in the surrounding counties in various programs. ACTION-Housing is the largest single Weatherization provider in Pennsylvania and provides services for the City of Pittsburgh, ⅔ of Allegheny County and the Counties of Washington and Greene.

This includes the portions of the districts of Congressmen Altmire, Murphy, Doyle and Murtha. We have operated this program at scale for some 25 years and estimate that we have weatherized 22,000 homes and repaired or replaced 15,000 heating units in that time. The combination of LIHEAP weatherization and DOE weatherization has led to an investment of $ 55,000,000 in conservation during that period of time.

All of these programs funded by 15% of the annual LIHEAP allocation in tandem with DOE funds have helped create a strong, vital network of agencies that provide high technology intervention in homes, respond to high priority needs and do so in a cost effective manner. This amounts to some $ 15-18,000,000 in each program year which is typically split between the regular weatherization programs and CRISIS interface efforts.

Each of these provides critical work that makes a significant difference in the lives of Pennsylvania families and children. ACTION-Housing and the Weatherization Task Force of Pennsylvania representing all 42 providers strongly support the retention of the option for States to allocate 15% of funds for weatherization and pledge their ongoing support for the effective implementation of the program.

The 2006-2007 Program Year

The 2006-07 program year was an exceptional one in Pennsylvania. Though annual allocations from LIHEAP average $ 16,000,000 there were additional funds that were released from contingencies. As a result the allocation reached some $ 27,000,000 last year. Funds were utilized for two distinct components for the program. The basic energy conservation program which used some 64% of the LIHEAP transfer ($17,000,000) and the CRISIS interface that works with LIHEAP cash assistance customer who have a no heat situation used 36% of the funding available ($10,000,000). Each of these programs is described below.

Energy Conservation With LIHEAP F nds

The basic energy conservation program enables low income families to permanently reduce high energy usage. Weatherization aims to reduce the energy costs for low—income families, primarily the elderly and families with children, by making energy efficient improvements to the home. According to research conducted by the Pa Weatherization Task Force "At current Pa energy costs, the investment in energy conservation saves more in one heating than the average cash assistance grant in Pa.

With Energy Conservation the Savings Continue Year After Year

In Pennsylvania Weatherization providers embrace the concept of "whole house weatherization". Under this concept the house is treated as a single energy consuming-system rather than a loose collection of unrelated measures. Using this ap-

proach weatherization providers provide the best combination of measures for reducing total energy consumption.

Our standard weatherization treatments include assessment, selection of measures, installation, and quality verification. Trained technicians use advanced computer software and diagnostic equipment to identify energy saving measures that are cost effective and safe. Common measures include the installation of insulation, ventilation, heating and cooling tune-ups, replacement of units of energy efficiency and/or safety, air sealing and installation of energy efficient lighting and appliances.

Some 9200 households were weatherized in the program year with savings ranging from 15-35%. The use of LIHEAP funds enabled providers around the state to increase overall production in the energy conservation about 40% from the base of funds provided through the DOE funds. In many cases these funds not only served many people in need but also provided the scale of work necessary for an operating agency to function effectively and maintain its workforce. The key to capacity over the long term is a qualified and trained staff so that agencies can achieve effective savings in the work performed.

CRISIS Interface With LIHEAP Funds

This program is provided in every County in Pennsylvania and links those families who receive cash assistance but have no operable heat source with weatherization providers. During the winter heating season (November through March) local cash assistance agencies refer customers eligible for LIHEAP but without safe and operable heating systems to the network of weatherization providers. These repairs and replacements are performed on a 48 hour emergency basis and include emergency repair or replacement of heating systems, fuel line replacement, and hot water systems in low income households. In the 2006-07 year some 5,353 families were assisted with emergency repairs of primary heating systems.

Key Facts Provided by the Weatherization Task Force Reports

The Weatherization Task Force provides annual updates based upon who has been served across the Commonwealth as well as estimates of future energy costs. A few of those key findings are repeated below from recent reports:

• Weatherization results in average savings of 15-35% in energy consumption among those served. Homes that receive both air infiltration treatments and heat plant repairs provide the greatest savings.

• Low income families (those at 150% of poverty and below) will spend about 26.7% of their income in the total energy burden in the coming year. This compares to all households who spend about 4% of their budgets for energy.

• Conservation is the lowest cost—proven source of energy and providing it to those with the economic means has the benefit of achieving conservation that would not otherwise occur.

• The savings associated with weatherization at the 15-35% level equate to savings of $ 323 to $ 763 per year and exceed the annual payments for LIHEAP cash assistance in Pennsylvania and have annual benefits going forward.

• The projected increases in electric, heating oil and gas prices in Pennsylvania for the 07-08 season will only increase the importance of the LIHEAP energy conservation program for the future.

Final Thoughts

The retention of the 15% State Option for LIHEAP funds is critical to the operation of an effective program in Pennsylvania. The diversity of the state and its needs have been best met by a well diversified program operated in tandem with LIHEAP cash assistance so that low income customers can receive help with paying their energy bill, reduce future expenses and live in a safe environment is the key to providing secure environments for our families and children. The use of these funds in Pennsylvania has meant that the state based program can reach through conservation 40% more families each year, provided a linked emergency heat program and given operating agencies the scale necessary to be effective over time. On behalf of the Weatherization Task Force and all 42 operating agencies we thank the committee for its support.

Chairwoman McCarthy. Thank you, Mr. Swanson.

Mr. Manning?

STATEMENT OF DAVID MANNING, EXECUTIVE VICE PRESIDENT, U.S. EXTERNAL AFFAIRS, NATIONAL GRID, ON BEHALF OF THE AMERICAN GAS ASSOCIATION

Mr. MANNING. Thank you very much, Madam Chairwoman, and I want to thank you and the members of the subcommittee.

My name is David Manning, and I am an executive vice president with Key Span, now National Grid. We serve over 3 million gas customers—and more electric customers—largely in urban areas, such as New York, but also in some of the very challenged areas in upstate New York, Worcester, Massachusetts, some portions of Long Island where the economy is struggling.

I am pleased to have this opportunity as well to testify on behalf of the American Gas Association in strong support of additional federal funding for the life-saving Low Income Home Energy Assistance Program, which we are discussing, known as LIHEAP. AGA represents over 200 energy utility companies that deliver natural gas to more than 172 million Americans. For the purpose of home heating, approximately—all of you heard Mr. Caruso indicate—nationally 58 percent of homes depend on natural gas for their heat. In our particular territory, which is a larger oil heat region, that number, in fact, is lower, but it is still a major component of our energy needs.

First, I would like to thank, Madam Chair, Ranking Member Platts, other members of the subcommittee that I know, for setting the stage for the fiscal year 2008 appropriation of $2.4 billion for LIHEAP. We appreciate this demonstration of support, and we encourage you strongly to continue to set the highest possible authorization level that you can. For 2009, we request that the subcommittee establish a LIHEAP authorization funding level of at least $5.1 billion.

Again, I am the last speaker. I think it is almost self-evident, but I will continue. We believe it is absolutely essential to increase our nation's home energy commitment to America's most vulnerable citizens. AGA shares the concerns of many prominent organizations, but actual LIHEAP appropriations remain substantially below the current $5.1 billion authorized in fiscal year 2007. Interestingly, LIHEAP's last appropriation was just 17 percent higher than the original funding amount that Congress approved at the program's inception more than a quarter century ago, and yet during that period, the cost of the Consumer Price Index has gone up 133 percent.

Without question, more and more households need help paying their energy bills. The number of households eligible for LIHEAP funding has increased by 78 percent since the program began. Because funding has not kept pace with the growing need, an increasing percentage of eligible families simply cannot get help.

In fact, despite the billion-dollar increase in the program in the fiscal year 2006, fewer homes got LIHEAP assistance than when the program started a quarter century ago. In 1981, the needs of more than 12 million eligible households were unmet. By 2006, the unmet need grew to 30 million.

Higher heating and cooling bills hit low-income households the hardest. The energy burden on LIHEAP households was more than six times that for non-low-income households. LIHEAP recipients

spend 20 cents out of every dollar on energy. Their burden is also increasing, leaving them with less for food, shelter and health care, and often making very difficult choices.

I want to stress that the private-sector assistance is substantial, but these efforts cannot substitute for the decreased purchasing power of federal funds.

Virtually all local gas utilities have programs and policies that enable low-income customers to manage their gas bills, such as deferred budget payment plans, payment counseling, weatherization programs, voluntary fuel funds, subsidized rates, matching grants for improved buildings, and appliance efficiencies. In 2006, utility programs generated $1.8 billion in low-income customer assistance. These were often paid for through very modest surcharges for consumers.

AGA surveyed its membership additionally, however, on programs to assist low-income customers. Fifty percent provide shareholder contributions to low-income customers, 45 percent offer rate discounts, 38 percent support fuel funds, 35 percent forgive part or all of past arrears.

It is evident that while states, local governments and the private sector have demonstrated their capacity to develop creative and effective programs to address energy assistance needs, collectively, these programs can only modestly supplement the essential federal support for LIHEAP and weatherization programs.

In the future—and this is important—it is expected that the U.S. will adopt legislation to address climate change. Whether utilities will have to purchase credits to purchase emission allocations, whether they will have to pay additional taxes or fees, the legislature will likely impose additional costs in fossil fuel. I strongly recommend that this committee authorize an ongoing study of the potential cost impact of climate change legislation on the LIHEAP program and its recipients. Every increase in energy cost reduces the ability of this program to serve its mission.

As the nation girds for winter, it is clear that LIHEAP must retain its $5.1 billion authorization amount and be infused with additional resources to receive an appropriate appropriation of at least $3.2 billion.

Thank you very much. I will welcome your questions.

[The statement of Mr. Manning follows:]

Prepared Statement of David Manning, Executive Vice President, U.S. External Affairs, National Grid, on Behalf of the American Gas Association

Executive Summary

The Increasing Burden of Energy Costs on Low-Income Customers reports that:

The number of households eligible for LIHEAP has increased by 78 percent since 1981, when the program was created.

Since the creation of LIHEAP in 1981, the consumer price index has increased by 133 percent, however funding for the program has increased by only 17 percent. Current funding should be $4.2 billion just to keep pace with inflation—and without taking into account the increased number of low-income families.

Low-income households typically spend one-fifth of their annual income on home energy bills—more than six times the level that other income groups are spending. The proportion of income going towards home energy costs is growing despite notable conservation efforts on the part of low-income households.

A survey of gas utilities showed that the total amount of natural gas customer uncollectible accounts rose 39 percent between 2003 and 2006, indicating that customers face increased difficulty in paying their home energy bills.

In 2005, utilities provided $1.8 billion in program assistance to help needy families manage their energy bills. Despite this significant level of support, the need continues to be far greater than utility programs are able to fulfill, despite our best combined efforts.

Good afternoon, I am pleased to have an opportunity to testify, on behalf of the American Gas Association, in strong support of additional federal funding for the life-saving Low-Income Home Energy Assistance Program (LIHEAP).

The American Gas Association, founded in 1918, represents 200 local energy utility companies that deliver natural gas to more than 64 million homes and businesses throughout the United States. A total of 69 million residential, commercial and industrial customers receive natural gas in the US, and AGA's members' deliver 92 percent of all natural gas provided by the nation's natural gas utilities. AGA represents 189 local natural gas utilities that deliver gas to almost 60 million homes and businesses in all 50 states. For the purpose of home heating, approximately 52 percent of LIHEAP households use natural gas; 21 percent, electricity; 10 percent, fuel oil; and 11 percent propane (2005 data).

National Grid is an international energy delivery company. In the U.S., National Grid (www.nationalgridus.com) is the largest distributor of natural gas in the northeastern U.S., serving approximately 3.4 million customers in New York, Massachusetts, New Hampshire and Rhode Island. It also delivers electricity to approximately 3.3 million customers in Massachusetts, New Hampshire, New York and Rhode Island, and manages the electricity network on Long Island under an agreement with the Long Island Power Authority. National Grid is the largest power producer in New York State, owning 6,650 megawatts of electricity generation that provides power to over one million LIPA customers and supplies roughly a quarter of New York City's electricity needs.

First, I would like to thank Chairwoman McCarthy, Ranking Member Platts, and members of this Subcommittee for setting the stage for a Fiscal Year (FY) 2008 appropriation of $1.98 billion for LIHEAP, with an additional $431 million for emergency assistance. We appreciate this demonstration of support for LIHEAP, and encourage you to continue to set the highest possible authorization amount you can. If you do, you will afford your appropriations colleagues the essential maneuvering room they need to further improve funding for both LIHEAP and the Weatherization Assistance Program.

For FY2009, we request that the Subcommittee establish a LIHEAP authorization funding level of at least $5.1 billion, and we join with the bipartisan appeal of 35 of our nation's governors, who earlier this year urged the congressional leadership in establishing at least a $3.2 billion appropriation for the program.[1] Notably, we also stand with the Governors on the matter of further supplementing funds in the near-term, should that opportunity present itself.[2] Additionally, we also recognize that many states exhaust their available grant dollars early in the fiscal year, and it is for this reason that AGA continues to also support the National Energy Assistance Directors Association (NEADA) recommendation that LIHEAP appropriations be forward-funded.

We believe it is absolutely essential to increase our nation's home energy commitment to America's most vulnerable citizens who qualify for LIHEAP. It's worth remembering that virtually all LIHEAP-eligible households live below, at, or just above our nation's official poverty level, and further—that they shelter some combination of the elderly, the disabled, or the very young.

The Need for Increased Funding

The FY07 LIHEAP program was authorized at a level of $5.1 billion a year. Under the current Omnibus funding arrangement, this is also the present threshold. However, AGA shares the concerns of many prominent organizations that actual LIHEAP appropriations remain substantially below that authorization amount. LIHEAP appropriations briefly improved in FY 06, when $3.2 billion was committed to help low-income households with their home energy needs. Unfortunately, LIHEAP funding then fell to $2.2 billion in FY 07. Interestingly, that FY 07 funding level was just 17 percent higher than the original funding amount Congress approved at the program's inception more than a quarter-century ago. By way of comparison, over the same time period, the consumer price index rose 133 percent. Had LIHEAP kept pace with inflation, annual appropriations would now be $4.2 billion.

More and more households need help paying their energy bills. The number of households that are eligible for LIHEAP funds has increased 15 percent over the past five years and 78 percent since the program began. Since funding has diverged

[1] *http://www.neada.org/comm/correspondence/070215.pdf*
[2] Ibid.

from the growing need for energy assistance, an increasing percentage of people that are clearly eligible for it, simply cannot get the help they need. In fact, fewer homes got LIHEAP assistance in FY 06 than when the program started a quarter-century ago. In 1981, almost 20 million were eligible for LIHEAP assistance, and the needs of more than 12 million (64 percent) households went unmet. By 2006, 35 million households were eligible, and the needs of almost 30 million (84 percent) went unmet.

The Department of Energy reports that consumers' heating bills will be higher across the board. Overall, consumers could face an average increase of 11 percent in their heating bills, and some must gird for a whopping 26 percent increase this winter. These percentages are premised upon weather forecasts that are close to normal. If the temperatures drop below normal, the increases in heating bills will be even higher.

Higher heating and cooling bills hit low-income household hardest. The term "energy burden" refers to the portion of a household's income that is spent on home energy costs. An average American family spends about six to seven percent of its total income on household energy. Non-low income households (with incomes above the LIHEAP federal maximum income standard) have energy burdens of only three percent or less. The energy burden on LIHEAP households is more than six times that of a non-low income household. Not only must LIHEAP recipients' spend 20 cents out of every dollar on energy, their burden is also increasing, leaving them with less for food, shelter and health care.

Because of rising costs, many customers cannot meet all their obligations, and many are falling behind on their energy bills. Customers that have difficulty paying their energy bills are an increasing problem for utilities.

NEADA estimates that 1.2 million households were disconnected and lost utility services in the spring of 2007 due to non-payment problems.

A National Regulatory Research Institute report shows that the percentage of gas utility accounts that are past due rose from 16.5 percent in 2001 to 21.0 percent in 2006.

The average amount past due for a gas account rose 27 percent—from $263 in 2001 to $334 in 2006. Furthermore, this trend appears to be increasing. Another study suggests uncollectible natural gas utility expenses increased 39 percent between 2003 and 2006.

Low-Income Households Are Reducing Their Energy Needs

Many low-income households have made great strides in reducing their energy consumption. The amount of energy used for space conditioning by these families declined 26 percent since 1981, in part due to conservation efforts funded independently or through LIHEAP and utility conservation programs. Low-income households reduced their space heating energy use by 36 percent since 1981.

Despite these conservation efforts, the rising cost of energy over that time period has nonetheless caused home energy bills to rise, particularly heating bills. From 1981 through 2005, overall energy expenditures for space heating and cooling for LIHEAP-eligible households increased 37 percent.

Private Sector Assistance Is Substantial, but Cannot Substitute for Federal Funds

Over the years, many private sector and utility-initiated energy assistance programs have been launched to supplement the basic LIHEAP program. For example, virtually all local gas utilities have programs and policies that enable low-income customers to manage their gas bills—such as deferred and budget payment plans, payment counseling, weatherization programs, voluntary fuel funds, subsidized rates, and matching grants for improved building and/or appliance efficiencies LIHEAP has also received strong support from a variety of community-based social service organizations such as Catholic Charities, the Salvation Army, the National Fuel Funds Network and churches and synagogues.

Utilities

Many utilities administer, sponsor, and promote programs to augment LIHEAP, and in 2006 utility programs generated $1.8 billion in low-income customer assistance. Typically, state and local policymakers collaborate to initiate and/or approve these programs. The costs for these programs are often recovered through a very modest surcharge. Further, and oftentimes, utility stockholders cover at least a portion of these costs. These programs do not include past-due customer debts that a utility must eventually write off as uncollectible.

During the spring of 2006, AGA surveyed its membership on their programs to assist low-income customers. Of the 107 respondents with low-income customer programs:

45% offer rate discounts

35% forgive part or all of past arrearages
38% support fuel funds
50% provide shareholder contributions to assist low-income customers
10% offer a discount on the reconnection fee to low-income customers that had been disconnected due to inability to pay
35% have other programs

The "other" categories include weatherization programs, universal service funds, special budget billings, and matching of customer donations. Nearly three-quarters of respondents (71%) had more than one program in place to assist low-income customers.

State & Local Governments

In addition to regulating utility assistance programs, state and local governments also provide direct funding and/or provide tax incentives to assist households in paying or reducing their home energy bills. In 2006, state and local governments provided $739 million for this kind of assistance. The governments fund these programs through general or special taxes as well as other sources.

Fuel Funds

These charitable programs are typically a partnership between fuel funds, community-based organizations (churches, synagogues, charities, etc.), local government agencies, and utilities. Fuel funds are dedicated to raising and distributing money for energy bill-payment assistance. Religious and other community programs assist households with utility bills as part of their charitable work. These programs are funded primarily by donations. In many instances, the utility will solicit contributions (e.g., by way of bill inserts), while government and community organizations will identify the qualified households that can benefit, and the community organizations will distribute the assistance. In 2006, fuel funds and other charitable organizations provided more than $103 million for energy assistance.

Other

Other parties that provide energy assistance to low-income households include faith-based/community groups, landlords (weatherization improvements) and fuel suppliers (bulk fuel discounts and needs-based discounts). These parties provided a total of $60 million in energy assistance in 2006.

Despite All These Good Works—the Federal Role in LIHEAP Remains Absolutely Essential

It is evident that while states, local governments, and the private sector have demonstrated their capacity to develop creative and effective programs to address energy assistance needs, collectively these programs can only modestly supplement the essential federal support for the LIHEAP and Weatherization programs.

C–SNAP: Without LIHEAP—Children Suffer Gravely

Just last month, the Children's Sentinel Assessment Program (C-SNAP) linked rising fuel prices to the health and well being of poor children. Dr. Deborah A. Frank, a principal investigator of the report, explained "we know there is a medicine that is partially effective in protecting children during the current epidemic of the 'heat or eat' dilemma." She pegged LIHEAP as an effective medicine to improve the well-being of poor children, and revealed that children in income-eligible families who do not get LIHEAP compared to similar children in income-eligible families who do, were more likely to grow poorly, and to have to be hospitalized. But, like a scarce vaccine, LIHEAP reaches only a fraction of the children at risk. Babies and toddlers in energy insecure households are most likely to suffer poor health, require hospitalization, have developmental problems, and lack adequate food.

When families do not have access to sufficient energy, they often resort to unsafe heating methods and cannot refrigerate or prepare food. It is for reasons like these that we should all be troubled that in 2006, only 16.1% of LIHEAP-eligible households were helped. Today's hearing is an opportunity to spotlight this crisis, and to begin to remedy it.

Efforts to Reduce Greenhouse Gas Emissions Will Increase Energy Prices Even Further

Congress is demonstrating substantial interest in materially addressing the challenge of global climate change. Several legislative proposals have been introduced, and are moving through the legislative process. Strategies proposed so far are widely anticipated to result in increased energy costs for all consumers, regardless of income. The need for LIHEAP assistance will grow even more once these measures

are put in place. AGA believes that climate change legislation will absolutely necessitate increased LIHEAP funding.

Support for LIHEAP is strong and widespread

The American public supports federal energy assistance for low-income households. A national poll conducted in September 2006 found that by a 74 percent of all Americans support the Low Income Home Energy Assistance Program. Moreover, 72 percent of all Americans responding to the survey believe that Congress should increase funding for LIHEAP.

Conclusion

The need for LIHEAP assistance is much greater than the coverage currently provided by current federal appropriations for this purpose. AGA is aware that the number of at-risk households across our nation is rising. As our nation girds for winter, and also prepares to deal forthrightly with the added challenge of global climate change, it is clear that LIHEAP must retain its $5.1 billion authorization amount, and be infused with additional resources to achieve an appropriation of at least $3.2 billion. To paraphrase C-SNAP's Dr. Frank, LIHEAP is a precious, life-saving vaccine, and on behalf of the members of the American Gas Association, I respectfully urge you to aggressively dispense it to at-risk Americans struggling to heat and cool their homes.

[Additional submission from Mr. Manning follows:]

American Gas Association

Energy Analysis

Policy Analysis Group
400 N. Capitol St., NW
Washington, DC 20001
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EA 2007-3 September 26, 2007

THE INCREASING BURDEN OF ENERGY COSTS ON LOW-INCOME CONSUMERS

Introduction

Households that receive federal aid through the Low Income Home Energy Assistance Program (LIHEAP) are spending 33 percent more of their income on home energy costs compared to 1998. These households typically spend one-fifth of their annual income on home energy bills – more than six times the level that other income groups devote to home energy bills. Indeed, the increase in energy prices since 1998 has outstripped any growth in LIHEAP recipients' income, leaving less money for food, rent, and health care. In contrast, the portion of income required to pay home energy bills has not changed for non-low-income households.

In response to high energy prices in the winter of 2005-2006, the federal government increased the amount of LIHEAP funding in FY 2006 to an all-time high -- $3.2 billion. The additional funding -- while still substantially less than the fully authorized LIHEAP appropriation of $5.1 billion -- allowed assistance to go to 5.6 million households. Even at this record funding level, only 16 percent of those eligible got assistance. Despite the growing gap between LIHEAP funding and the number of households eligible for assistance, LIHEAP funding for FY 2007 was cut 30 percent to $2.2 billion, and the President's budget proposal for FY 2008 would cut the program's funding even more.

If the winter of 2007-08 brings a normal or colder-than-normal weather pattern, heating bills could approach or even exceed the recent record highs. Without increased assistance, many families could be left out in the cold this winter.

Executive Summary

Even with winters that are warmer than normal, impoverished households continue to have trouble paying their energy bills:

- The number of households that are eligible for LIHEAP funds has increased 15 percent over the past five years.

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- This winter's heating bills could be higher than last year's, particularly if the country experiences a cold winter.
- The portion of the LIHEAP recipients' annual income needed to pay home energy bills rose from 15 percent in 1998 to 20 percent in 2006.
- Current legislation in Congress makes no increase in the LIHEAP base funding to address these problems.
- Past due accounts relative to total accounts increased for natural gas customers from 16.5 percent in 2001 to 21 percent in 2006, and the total amount of uncollectible expenses rose 39 percent between 2003 and 2006, indicating that customers face increased difficulty in paying their home energy bills.

Programs that help low-income households pay their energy bills are more critical than ever. In addition to LIHEAP, state and local governments provide assistance through taxpayer-funded initiatives. Fuel funds and other charitable groups provide direct assistance, funded by donations, to those in need. **In 2006, energy utilities provided $1.8 billion in assistance to low-income households in the form of discounts, fee waivers, efficiency/weatherization programs, and arrearage forgiveness funded by customers and stockholders.**

Despite these efforts, more is needed. While 5.6 million households benefited from federal energy assistance programs in FY 2006, **about 84 percent of those eligible did not receive LIHEAP heating assistance**.

- The FY 2007 LIHEAP funding levels increased 17 percent relative to 26 years ago – yet over the same time period, the consumer price index rose 133 percent. Had LIHEAP kept pace with inflation, annual appropriations would be $4.2 billion.
- The number of low-income families eligible for LIHEAP has increased 78 percent since the program began.
- Despite ongoing conservation efforts, low-income households may be facing even higher heating and cooling bills because of current and projected high energy prices coupled with the potential for normal or even colder than normal weather. For example, the U.S. Energy Information Administration (EIA) short-term forecast calls for increase in both residential gas prices and consumption compared to last winter, so consumers may face even higher winter heating bills. Electricity customers could also face higher bills, as EIA is forecasting higher electricity prices for residential customers.

The federal government can take steps to lessen this burden and help keep households that are behind on their energy bills from getting disconnected. The Energy Policy Act of 2005 reauthorized LIHEAP through 2007 and increased the authorization for the basic grant from $2.1 billion to $5.1 billion. **If funded at the full $5.1 billion, LIHEAP could assist an additional 7.3 million households. This could provide assistance to 37 percent of those eligible for home heating aid, assuming an average benefit of $300 per household**.

LIHEAP Overview

Program Description

LIHEAP was created under the Omnibus Budget Reconciliation Act of 1981 (OBRA) to help low and fixed income households pay their fuel and utility bills. LIHEAP funding is allocated by the Department of Health and Human Services (HHS) and administered by the states, with the states having maximum flexibility in directing program funds.

LIHEAP is one of the original seven block grants authorized by OBRA, and it has been modified through a series of reauthorizations and amendments since 1981. The LIHEAP program has evolved from providing only financial assistance to low-income households to today's efforts that include residential weatherization and home-energy repair. In addition, a small portion of LIHEAP funds are used as leveraging incentives – grantees that can supplement LIHEAP with non-federal assistance resources are eligible for these incentive rewards. Finally, some funds are targeted for the Residential Energy Assistance Challenge (REACH) program.[1]

LIHEAP is widely regarded as a model program. LIHEAP has been very cost effective and efficient for several reasons:

- States are given the flexibility to direct program funds as needed, allowing individual states to tailor programs according to the needs of its low- and fixed-income residents.
- States are required to maintain administrative expenses at or below 10 percent, ensuring that most of the monies go directly to needy households.
- LIHEAP serves as discretionary (in many cases one-time) assistance, providing a bridge that helps the working poor avoid welfare programs.

LIHEAP regulations provide two measures of household eligibility. First, a household is eligible if one or more occupants receive need-based government assistance such as Food Stamps, Temporary Assistance for Needy Families, Supplemental Security Income payments, and certain veterans' or survivors' payments. Second, a household is eligible if income is at or below 150 percent of the poverty level for their state or 60 percent of their state's median income.[2] The states have flexibility in setting the eligibility guidelines. A table listing each state's requirements can be found on the LIHEAP Clearinghouse website (http://www.liheap.ncat.org/tables/FY2007/POP07.htm).

LIHEAP funding levels are insufficient to meet the needs of all eligible households, so the program is designed to help those lowest-income households that typically (1) pay a higher proportion of their income for home energy, and (2) have at least one member who is a young child, disabled, or elderly.

Funding History

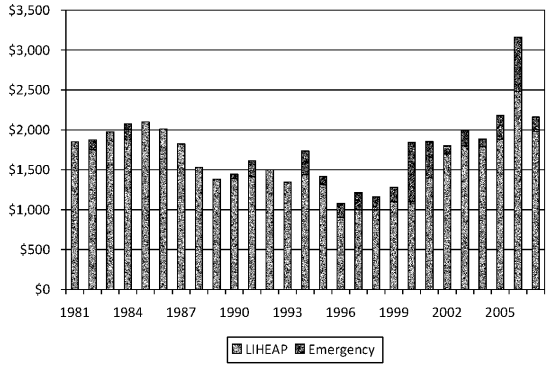
There are two categories of LIHEAP allocations. Federal regular appropriations make up the bulk of the funding. In addition, the President can release federal supplemental emergency contingency (crisis) funding for:

[1] LIHEAP Report to Congress for Fiscal Year 2001, Administration for Children and Families, U.S. Department of Health and Human Services, Washington, DC, 8/7/2003
[2] LIHEAP Report to Congress for Fiscal Year 2001

- Households that have lost, or are in imminent danger of losing, their supply of home energy due to inability to pay their energy bills.
- Natural disaster relief.
- Home energy supply disruptions, shortages, or price spikes.
- Increases in unemployment or participation in government assistance programs.

The initial LIHEAP funding level was set at 1.8 billion in 1981. Funding levels have varied since then, reaching almost $3.2 billion in FY 2006 (Figure 1). The 2007 appropriation of $2.1 billion is only 17 percent higher than the initial amount 26 years ago. Had LIHEAP funding kept pace with inflation, annual appropriations would need to reach $4.2 billion.[3]

Figure 1
LIHEAP Funding History



Non-Federal Assistance Programs

LIHEAP has fostered a positive collaboration between the government, the utility industry, social service organizations, community advocates, and other state and local non-profit agencies. These organizations help supplement LIHEAP funding through assistance programs of their own. Combined, these programs provided $2.7 billion of assistance in 2006 (Table1).

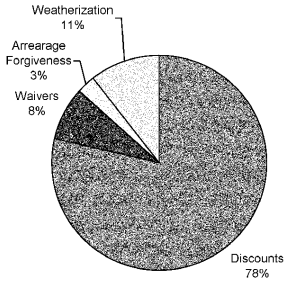
[3] Bureau of Labor Statistics, ftp://ftp.bls.gov/pub/special.requests/cpi/cpiai.txt

Utilities

Many utilities administer, sponsor, and promote programs to augment LIHEAP, and in 2006 utility programs generated $1.8 billion in low-income customer assistance (see Table 1). Typically, local regulators approve (and in many cases initiate) or legislators create these programs. The costs for these programs are often recovered through an increase in the bills of all customers, but in some instances utility stockholders cover at least a portion of the costs. These programs do not include past-due customer debts that the utility eventually writes off as uncollectible. Types of utility programs include (see Figure 2, based on 2004 data):[4]

- Rate Assistance
  - Discounts – many utilities offer reduced rates for low-income households. These discounts accounted for 78 percent of total utility assistance.
  - Waivers – some utilities will waive a charge or portion of a bill, such as customer charges, reconnection fees, late charges, deposit fees, etc., to qualified customers. These programs accounted for eight percent of utility assistance.
  - Arrearage forgiveness -- in some instances utilities will forgive a portion, sometimes even all, of the past due amount of a qualified customer. Arrearage forgiveness accounted for three percent of utility assistance.
- Energy Efficiency/Weatherization programs – a number of utilities provide funding for home improvements and/or more efficient appliances that will reduce energy consumption on a long-term basis. Weatherization programs accounted for 11 percent of total utility assistance.

Figure 2
Utility Assistance Programs



[4] *The Growing Need to Help Low-Income Energy Consumers: Government, Charitable, and Utility Programs,* American Gas Association, Washington, DC, September 21, 2005

SOURCE: LIHEAP Clearinghouse, http://www.liheap.ncat.org/tables/FY2004/04stlytb.htm
NOTE: Percentages based on LIHEAP Clearinghouse data on LIHEAP leveraging program reports, a subset of utility data found in Table 1

During the spring of 2006, AGA surveyed its membership on their programs to assist low-income customers. Specifically members were asked:

Does your company participate in the following programs for low-income customers:

- *Rate discounts*
- *Full/partial arrearage forgiveness*
- *Fuel funds*
- *Shareholder contributions*
- *Reconnect discounts*
- *Other*

More than 100 jurisdictions responded to the survey (a company may have more than one jurisdiction within its service territory). Of the 107 jurisdictions indicating that they had low-income customer programs:

- 45% offer rate discounts
- 35% forgive part or all of past arrearages
- 38% participate in fuel funds
- 50% have shareholder contributions to assist low-income customers
- 10% offer a discount on the reconnection fee to low-income customers that had been disconnected due to inability to pay
- 35% have other programs

The "other" categories include weatherization programs, universal service funds, special budget billings, and matching of customer donations. Most respondents (71%) had more than one program in place to assist low-income customers.

State & Local Governments

In addition to regulating utility assistance programs, state and local governments provide direct funding or allow tax breaks to assist households in paying or reducing energy bills. In 2006, state and local governments provided $739 million for this assistance. The government funds these programs through general and special taxes as well as other sources, including:

- Legislatively mandated utility rate discounts
- Voluntary contribution through tax return check-off
- Unclaimed deposits and refunds
- Deed, registration, and stamp taxes
- Oil overcharge funds
- Court case settlements

Fuel Funds

These charitable programs are typically a partnership between fuel funds, community-based organizations (churches, charities, etc.), local government agencies, and utilities. Fuel funds are dedicated to raising and distributing money for energy bill-payment assistance. Churches and other community programs assist households with utility bills as part of their charitable work. These programs are funded primarily by donations. In many instances, the utility will solicit contributions (e.g., bill inserts), the government and community organizations will identify the households that can benefit, and the community organizations will distribute the assistance. In 2006, fuel funds and other charitable organizations accounted for more than $103 million for energy assistance.

Other

Other parties that provide energy assistance to low-income households include church/community groups, landlords (weatherization improvements) and fuel suppliers (bulk fuel discounts and need-based discounts). These parties provided a total of $60 million in energy assistance in 2006.

Growth in Assistance Funds

The LIHEAP Clearinghouse maintains a database of non-federal energy assistance efforts, with data provided through LIHEAP leveraging reports and other sources.[5] While the database may not capture all of the assistance efforts,[6] the data provide the most comprehensive picture of these programs.

Table 1 shows annual funding levels of the energy assistance programs from 2000 to 2006. Overall, the funding level increased 164 percent since 2000. Utility-related programs accounted for a large portion of the funding increase, growing 369 percent. Fuel funds increased their assistance levels 101 percent, and other programs increased 53 percent. State and local programs increased their funding levels by 219 percent, and federal LIHEAP funding levels increased 114 percent during that period. (See Appendix for a state-by-state breakdown of 2006 energy assistance by source.)

Table 1
Energy Assistance to Low-Income Households
(Millions)

Year	LIHEAP	State & Local	Utility	Fuel Funds	Other	Total
2000	$1,470	$232	$380	$51	$39	$2,172
2001	$1,670	$333	$700	$53	$54	$2,810
2002	$1,800	$437	$771	$67	$41	$3,116
2003	$2,000	$574	$951	$75	$39	$3,638
2004	$1,889	$579	$1,174	$87	$47	$3,776
2005	$2,183	$588	$1,319	$97	$34	$4,170
2006	$3,160	$739	$1,793	$103	$60	$5,744

Source: LIHEAP Clearinghouse http://liheap.ncat.org/tables/FY2005/05stlvtb.htm and previous years

[5] The LIHEAP Clearinghouse, http://liheap.ncat.org/Supplements/2006/supplement06.htm
[6] The LIHEAP Clearinghouse, http://www.liheap.ncat.org/Supplements/2006/supintro.htm

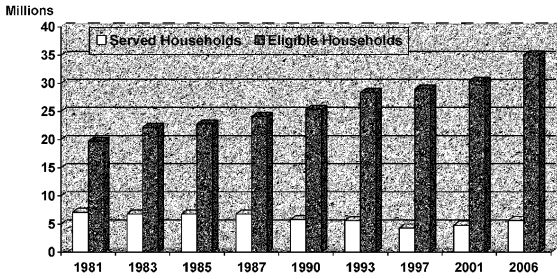
Continuing Need for LIHEAP

In FY 2006, states distributed LIHEAP funds to 5.6 million households.[7] While this number is higher than some past years, it is roughly 20 percent less than the number of households assisted in 1981.

Unmet need

While the number of households assisted is currently lower than levels achieved in the 1980's, the number of households eligible for LIHEAP assistance has risen steadily. In 1981, almost 20 million were eligible for LIHEAP assistance, and the needs of more than 12 million (64 percent) households went unmet. By 2006, 35 million households were eligible,[8] and the needs of almost 30 million (84 percent) went unmet (see Figure 3).

Figure 3
Households Receiving, Vs. Eligible for, LIHEAP Heating Assistance



Sources: LIHEAP Home Energy Notebook FY2005, US Dept. of Health & Human Services, June 2006; LIHEAP: Providing Heating and Cooling Assistance to Low-Income Families During a Period of High Energy Prices, National Energy Assistance Directors' Association, February 9, 2007.

Two factors contribute to this increasing unmet need. First, the number of low-income households that are eligible for LIHEAP has grown 78 percent since 1981.[9] Second, heating bills have increased, not due to increased use but rather higher energy prices – between 1981 and 2006, residential natural gas prices have risen 221 percent, fuel oil increased 98 percent, and electricity increased 68 percent.[10]

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[7] NOTE: While post-2005 number of households assisted is not available through government sources, the National Energy Assistance Director's Association (NEADA) has estimated that the number of households assisted by LIHEAP was 5.6 million. http://www.neada.org/

[8] LIHEAP: Providing Heating and Cooling Assistance to Low-Income Families During a Period of High Energy Prices, National Energy Assistance Directors' Association, February 9, 2007

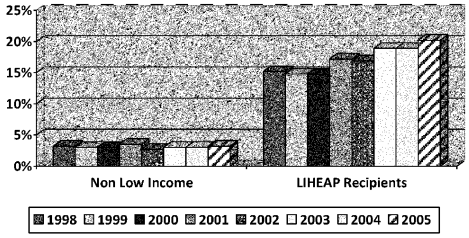
[9] American Housing Survey, U.S. Department of Census, Washington, DC, various years

[10] Monthly Energy Review, Energy Information Administration, http://www.eia.doe.gov

Energy burden

"Energy burden" represents the portion of a household's income that is spent on home energy costs. The average family spends about six to seven percent of its total income on household energy. Non low income households (incomes above the LIHEAP federal maximum income standard) have energy burdens of only three percent. The burden on LIHEAP recipients is more than six times that of the non low income households. This burden on LIHEAP recipients has grown worse since 1998, increasing from 15 percent to 20 percent in 2005. Not only are LIHEAP recipients spending 20 cents out of every dollar on energy, the burden is increasing, leaving less money for food, shelter, and health care.[11]

Figure 4
Mean Energy Burden on U.S. Households



Source: LIHEAP Home Energy Notebook, various years, US Dept. of Health & Human Services

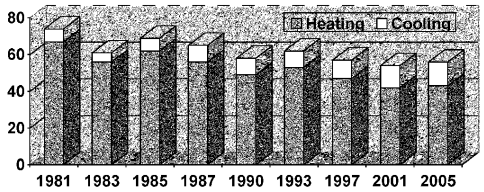
Impact of higher energy prices

Low-income households have made efforts to reduce their energy consumption (see Figure 5). The amount of energy used for space conditioning by these families declined 26 percent since 1981, in part due to conservation efforts funded independently or through LIHEAP and utility programs. Low-income households reduced their space heating energy use by 36 percent since 1981. These gains were slightly offset by an increase in cooling energy consumption, a result of the increased use of air conditioning appliances.

Despite these conservation efforts, rising costs of energy over that time period caused energy bills to rise, particularly heating bills. From 1981 through 2005, overall energy expenditures for space heating and cooling for these LIHEAP-eligible households increased 37 percent. Heating costs, the predominant portion of the total energy bill, increased 22 percent (see Figure 6).

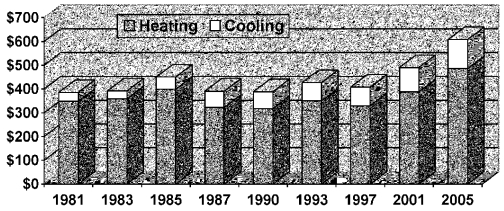
[11] LIHEAP Home Energy Notebook, various years, US Dept. of Health & Human Services

Figure 5
Average Residential Heating and Cooling Use for LIHEAP-Eligible Households (MMBtu)



Source: LIHEAP Home Energy Notebook for FY 2005, US Dept. of Health & Human Services

Figure 6
Average Residential Heating and Cooling Costs for LIHEAP-Eligible Households



Source: LIHEAP Home Energy Notebook for FY 2005, US Dept. of Health & Human Services

The current outlook for winter heating bills[12] portends a problem for low-income energy consumers, particularly if the weather returns to normal or even colder than normal temperatures.

- Fifty-three percent of low-income homes heat with natural gas.

[12] Calculations base on data from: Short-Term Energy Outlook, Energy Information Administration, U.S. Department of Energy, http://www.eia.doe.gov/emeu/steo/pub/contents.html August 2007

  - Residential natural gas prices averaged about $6.30 per thousand cubic feet (Mcf) during the 1990s, and the price rose to $12.41/Mcf in the winter of 2006-2007.
  - EIA forecasts that prices will be $13.34/Mcf during the winter of 2007-2008, an increase of 7.5 percent from last year.
  - Winter bills could be even higher due to an expectation of a return to normal weather patterns, compared to the significantly warm winter this past year.
  - These heating bills could reach record levels if colder than normal weather sets in.
- Heating oil prices also increased significantly in recent years, with 2007-2008 prices expected to be more than 14 percent higher than last winter.
- The price of electricity, the second most common energy source for space heating, is also expected to increase. Electricity bills could be three percent higher in the US this coming winter.

Utility Customer Bill Payment Problems

Customers that have difficulty paying their energy bills are an increasing problem for utilities:

- The National Energy Assistance Directors' Association estimates that 1.2 million households were disconnected from utility service in the spring of 2007 due to non-payment problems.[13]
- A National Regulatory Research Institute report shows:[14]
  - The percentage of gas utility accounts that are past due rose from 16.5 percent in 2001 to 21.0 percent in 2006.
  - The average amount of the gas account that is past due rose from $263 in 2001 to $334 in 2006.
- Based on a sample of 194 electric utilities and 84 gas utilities:[15]
  - Uncollectible electric utility expenses increased eight percent between 2003 and 2006.
  - Uncollectible natural gas utility expenses increased 39 percent between 2003 and 2006.

Meeting the Growing Need

Congress acknowledged the need for additional LIHEAP funding when it increased the authorization for LIHEAP from $2 billion to $5.1 billion in the Energy Policy Act of 2005. However, this does not guarantee funding will actually increase, as the funds must be allocated in each year's budget, and Congress must appropriate the funds. If funded at the full $5.1 billion, LIHEAP could assist 73.3 million more households. This could allow assistance to go to 37 percent of those eligible for home heating aid, compared to the current level of 16 percent.

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[13] *State Energy Directors Est. 1.2 Million Households Disconnected from Utility Services*, National Energy Assistance Directors' Association press release, July 11, 2007.
[14] *Analysis of Responses to Collection Survey*, National Regulatory Research Institute, March 2007.
[15] Based on information from SNL Interactive database, SNL Financial LC,.

Besides an increase in the number of customers that could be assisted, the needed funding levels for LIHEAP can be estimated using energy burdens and hold harmless strategies. That is, a goal of LIHEAP could be to either maintain a set energy burden to LIHEAP recipients from year to year or to provide enough additional funds to keep the absolute dollar amount these families spend on home energy constant (hold harmless). Examples based on 2005 and 2004 data are set forth below:

- To maintain the 2004 energy burden of LIHEAP recipients at 18.9 percent, an additional $438 million would have to have been distributed from LIHEAP in 2005 relative to 2004 distributions.[16]
- To maintain a hold harmless position with LIHEAP recipients, an additional $950 million would have to have been distributed from LIHEAP in 2005 relative to 2004 distributions.[17]

[16] ($8,693 annual income for LIHEAP household in 2005 x 0.189 energy burden for 2004 - $1,545 annual energy expenditures for LIHEAP recipients in 2004) x 5 million LIHEAP recipients in 2004. Data from *LIHEAP Home Energy Notebook* for FY 2004 & FY 2005, US Department of Health & Human Services.

[17] ($1,735 annual energy expenditure for LIHEAP recipients in 2005 - $1,545 level for 2004) x 5 million LIHEAP recipients in 2004. Data from *LIHEAP Home Energy Notebook* for FY 2004 & FY 2005, US Department of Health & Human Services.

Appendix
State-by-State Energy Assistance to Low-Income Households, FY 2006

	LIHEAP	State & Local	Utility	Fuel Funds	Other	Total
Alabama	$31,971,721	$0	$1,669,263	$2,587,134		$36,228,118
Alaska	$17,041,954	$12,373,328	$0	$0	$0	$29,415,282
Arizona	$15,399,196	$5,474,818	$16,854,277	$1,638,356	$6,500	$39,373,147
Arkansas	$23,336,283	$0	$5,000	$5,256,955	$169,401	$28,767,639
California	$157,626,279	$1,053,881	$833,821,445	$7,232,954	$4,987,498	$1,004,722,057
Colorado	$44,841,651	$0	$0	$0	$0	$44,841,651
Connecticut	$65,033,002	$0	$20,727,871	$909,153	$1,835,415	$88,505,441
Delaware	$10,412,565	$2,681,400	$0	$257,500	$290,900	$13,642,365
Dist. of Col.	$8,165,396	$0	$0	$0	$0	$8,165,396
Florida	$49,797,664	$0	$146,745	$7,241,894	$1,599,906	$58,786,209
Georgia	$40,026,119	$5,593,760	$0	$986,864	$0	$46,606,743
Hawaii	$2,566,687	$0	$0	$0	$0	$2,566,687
Idaho	$14,771,805	$0	$0	$0	$0	$14,771,805
Illinois	$193,813,641	$55,182,481	$0	$3,947,004	$0	$252,943,126
Indiana	$75,336,049	$6,271,092	$16,014,703	$1,766,254	$2,661,292	$102,049,390
Iowa	$52,053,680	$9,111,100	$4,823,831	$3,592,503	$229,671	$69,810,785
Kansas	$27,721,660	$0	$0	$0	$0	$27,721,660
Kentucky	$45,319,528	$0	$422,081	$1,340,846	$907,115	$47,989,570
Louisiana	$32,670,936	$0	$1,461,417	$5,901,704	$0	$40,034,057
Maine	$38,079,018	$11,308,965	$11,114,092	$0	$2,644,102	$63,146,177
Maryland	$60,011,328	$33,208,552	$4,535,374	$6,020,802	$1,627,745	$105,403,601
Massachusetts	$117,298,069	$20,000,000	$75,545,377	$1,086,302	$4,290,983	$218,220,731
Michigan	$154,671,282	$52,386,783	$73,638,219	$0	$13,969,843	$294,666,127
Minnesota	$110,849,427	$25,118,111	$7,807,366	$41,445	$2,943,085	$146,759,434
Mississippi	$27,466,683	$0	$362,709	$0	$898,803	$28,728,195
Missouri	$78,219,556	$0	$0	$0	$0	$78,219,556
Montana	$22,789,220	$450,000	$5,847,124	$1,514,531	$45,446	$30,646,321
Nebraska	$28,642,666	$0	$0	$0	$0	$28,642,666
Nevada	$7,246,691	$11,153,219	$1,263,913	$358,889	$0	$20,022,712
New Hampshire	$24,758,665	$17,436,446	$2,183,308	$275,739	$996,796	$45,650,954
New Jersey	$109,774,418	$194,972,975	$38,609,164	$274,487	$150,000	$343,781,044
New Mexico	$12,490,665	$15,285,504	$0	$879,855	$5,174	$28,661,198
New York	$356,429,371	$153,283,159	$20,771,987	$2,939,415	$12,753,031	$546,176,963
North Carolina	$70,313,098	$3,746,551	$154,635	$2,239,486	$1,333,623	$77,787,393
North Dakota	$24,679,616	$0	$0	$0	$0	$24,679,616
Ohio	$164,225,629	$0	$260,152,418	$0	$0	$424,378,047
Oklahoma	$29,543,254	$0	$4,995,608	$0	$0	$34,538,862
Oregon	$25,116,361	$9,260,858	$11,742,919	$2,471,879	$1,809,078	$50,401,095
Pennsylvania	$191,055,179	$20,900,000	$342,645,330	$8,920,033	$0	$563,520,542
Rhode Island	$21,581,127	$0	$5,775,203	$0	$0	$27,356,330
South Carolina	$25,278,617	$0	$0	$0	$0	$25,278,617
South Dakota	$20,116,758	$1,070,000	$201,985	$39,755	$110,980	$21,539,478
Tennessee	$47,139,152	$0	$0	$0	$0	$47,139,152
Texas	$84,005,107	$0	$4,044,209	$6,395,646	$0	$94,444,962
Utah	$23,285,459	$0	$0	$0	$0	$23,285,459
Vermont	$18,553,274	$5,838,656	$0	$490,571	$927,005	$25,809,506
Virginia	$72,604,816	$284,664	$175,529	$1,754,140	$0	$74,799,149
Washington	$41,226,109	$3,531,679	$17,888,460	$19,301,433	$1,883,797	$83,831,478
West Virginia	$24,543,319	$0	$0	$0	$0	$24,543,319
Wisconsin	$99,837,464	$61,826,991	$7,312,883	$5,397,026	$1,159,292	$175,533,656
Wyoming	$9,284,016	$0	$0	$0	$0	$9,284,016
Total	**$3,049,021,230**	**$738,784,973**	**$1,792,714,445**	**$103,060,355**	**$60,236,481**	**$5,743,817,484**

Source: LIHEAP Clearinghouse http://www.liheap.ncat.org/
NOTE: Programs that raise funds through utilities and their customers are classified as utility programs

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Chairwoman MCCARTHY. Thank you, Mr. Manning.

Listening to your testimony and reading your testimony, one of the things that became perfectly clear to me is that the association between heating for those homes and—by the way, the majority of homes that you assist with are hardworking families. Most of them have two or three part-time jobs, but they are working. Then, obviously, we are looking at those that are disabled, which are low-income jobs when they go out into the workforce, then, obviously, those that are senior citizens who can possibly not work. Again, speaking as a nurse, I am looking at the overall picture.

I know in your testimony, Mr. Manning, you went into it a little bit deeper on those that cannot heat their homes most likely do not

have enough money for food or even their medicines. So they are making choices on what they are going to be doing. The organizations that are out there, you know, that are helping, I also heard that they are cutting back because they do not have enough money to help those that need it the most.

So it is very frustrating for certainly a number of us that want to make sure that those that—and I do believe the federal government has a role to take care of those that cannot take care of themselves. I believe in that with all my heart and soul since I have been here, and the majority of people that we have seen being helped through the district office, again, are the working poor. They are not looking for a handout. They want to work.

And yet when we look at the children, we are sending them into the same cycle. We know that if you have a warm home, food on the table, are healthy, those children thrive, and yet we see those that do not have those ingredients do not thrive. We in the end, the community—the state, end up paying more money.

So I believe that we need to strengthen our public-private partnerships and help states to find ways to work with companies to increase the reach of LIHEAP without lowering the benefits of LIHEAP. All of you talked about, you know, how we need the extra money. You know, hopefully, we will be able to override some the vetoes and be able to give the services that I believe that should go out to our citizens at this particular time.

So, with that, I would like to ask all of you, we all know you need more money, we all know that. Are there better ways of trying to get the services out? And I am glad that Mr. Swanson brought up, you know, it is not just heating. It is doing the energy part of the home because the elderly homes—I know in my neighborhood, I have five or six neighbors that were there when I was a very little girl, and I know those homes have not been touched over the years. So I could see the heat probably going out the windows just about.

So what else can we do? We will fight for the money. I mean, we always will. But is there any other way to reach out to those that need the help most, and how do you turn people away? I mean, that has to be the hard job for all of you.

With the statistics Mr. Caruso had mentioned, one of the other things that I am concerned about is, you know, I am seeing in my state and especially on Long Island people are not spending, so the local taxes are not being collected, and programs that Nassau County runs might have to be cut back, too, and I am sure that is going to be happening all over the country. So I am looking to each and every one of you on helping us with maybe some solutions that we can also look at.

Mr. WOLFE. Well, one thing that we have noticed is that there are new areas of concern. Medicaid has these new programs to keep people out of nursing homes, and what we are finding is that some of the elderly people are getting into shutoff situations. So I think that we need to almost rethink the LIHEAP program.

When it was first started, it was a very focused program. There were very few elderly living at home. If you were frail elderly, you were in a nursing home. So we have new populations. There are new populations of families with young birth-weight babies. Thirty years ago, often, these babies did not survive, and, often, they are

low income. So we have a growing population of vulnerable households, and so we need to revisit the shutoff rules for those families. We need to revisit how we target funds to help them.

And then I think we also need to really think through as a grant, rather than an entitlement—it is currently designed to only reach about 17 percent of the population. So I think we need to think, you know, how can you use energy assistance to help both working families who work, still to go to work and take care of the home, and I think this is really an important niche piece, and we have not really addressed it in terms of 2007.

It is really a program design for the early 1980s, and so I guess if I was going to make a recommendation, it is maybe time for all the different partners, both the utility partners, the way we fuel, the states and everyone to sit down and say, "With much higher prices than we had before, what do we want the Energy Assistance Program to look like?"

And then the last piece is how does it tie into and affect with the weatherization? You know, the Energy Information Administration does this wonderful survey every couple of years, and the last one showed that low-income families used about 22 percent or 27 percent, I think, more energy per square foot than non-low-income people because they have older appliances, they have older furnaces, and there is a lot of potential there for energy savings if we start thinking about low-income people not just as needing assistance, but as being able to contribute towards climate change legislation for efficiency.

Chairwoman MCCARTHY. Thank you.

Ms. Barlow?

Ms. BARLOW. You had mentioned getting the private sector more involved, and I think that is something we really need to do. Our agency has been very aggressive over the years in seeking funding from foundations and getting private grants, and yet even within our own agency, HEAP is not considered one of the sexier topics and sometimes falls to the bottom. I think we need to market this program in terms of how it affects families and that it is an extremely worthwhile program and get the private sector more involved.

At one point, we had approached Key Span for private funding. We continue to do that type of thing. Unfortunately, I do not think we can continue to rely on government funding, but somehow make it an area of concern that affects all Americans and market it in such a way that the private sector thinks this is something that they want to put their money towards.

Mr. SWANSON. I would like to add that, first of all, I am embarrassed that Mr. Manning asked for expansion of LIHEAPs, and I did not do that. So I am personally embarrassed, but I will get over it.

I attended a meeting last week in this town when Jonathan Fanton spoke, who is the president of the MacArthur Foundation, one of the large private charitable foundations in the country, and he talked—in the other part of my business, housing, affordable housing preservation—about the need to be bold, the need to see new opportunities and reach beyond where we are, and I think that

is what the Chair is suggesting here. We need to think bigger about this.

I think a dramatic expansion of the federal funding combined with state initiatives—in our state, as I am sure Congressman Platts knows, we had a special session of the legislature in which we talked about a major investment of state funds, I think it was about $800 million, on a whole range of conservation measures.

Conserving energy will help. We still have the issue of how those after that can afford the utilities, and I think the utilities and the nonprofits and government working together on the state level can make a lot of impact. But I think it is time to be bold because I do not think the energy prices are going down, and I do not think that we can continue to do what we have been doing in the past.

Mr. MANNING. Madam Chair, if I could just go forward, we have recently received a grant request from the EAC which is going to be accepted, and, again, wisely they are looking to the private sector for resources to manage their programs and develop programs so that the money goes purely to those in need, and I think that is an important piece, that they are not looking to the LIHEAP funding for their needs. They are going to look to people like us for that, and that is appropriate, and we need to be there, and we will be there.

We also need to raise the awareness because with bill inserts, we have been raising about $200,000 plus per year from our customers on Long Island, just Long Island alone. That is from bill inserts, just talking about this concern. I do not read the bill inserts, and I write them.

So I think there is an opportunity there to raise awareness among the community, but, at the same time, the community must know that, in fact, we need to help those who are most in need, and it has to be spread across the population. So I do think that the funds that we have requested must be there.

Also, I want to tip my hat to those doing weatherization. Clearly, we are very focused ourselves in better programs to provide facilitation and incentives to weatherize, to reduce energy consumption. You pointed out yourself that there is a lot of education there. Mayor Bloomberg just recently pointed out that he was unplugging his cell phone charger because he did not realize that it was still running when he was not home and his phone was with him. So I think there is an education function.

I think there is an additional funding function. I think it hits those in the cities. I think it hits those in the rural areas. I think that this is really a national crisis, and I think it is driven, in fact, by the fact that I do not think any of us, those of us in this business—Mr. Caruso and I have been having conversations about energy prices for 20 years, and maybe he anticipated this. I did not.

So I think what has happened now is that we really do have a tremendous issue before us, and I think it is our responsibility to try and provide additional education in terms of how to manage these issues, provide additional incentives and facilitation for those who are least able to do so to use less energy and, of course, provide more funding and provide more partnership dollars just as we are doing with EAC.

Chairwoman MCCARTHY. Thank you.

Mr. Platts?

Mr. PLATTS. Thank you, Madam Chair.

Mr. Wolfe, in your testimony, you talked about the realities of where we are today, and perhaps as many as 10 to 20 percent of eligible families will likely not get assistance this year because instead of reducing down the grant, we are going to reduce the number. You know, the way the bill passed out of conference and we passed it in the House, it is about a $2.4 billion block grant and contingency. What do you think that number would be if we were to not have that 10 to 20 percent cut, but no increasing grant amount? What do you think the number would have to be?

Mr. WOLFE. There is no one answer to that, but, basically, in 2006, when we had the extra billion dollars and funding was at $3.1 billion, that was adequate to meet the needs for about 5.8 million households. States were able to increase their grants to adjust to rising prices. In 2007, this last year, some states carried money forward from that $3.1 billion, and that sort of helped keep the balance.

Going to 2008 where the extra $250 million is certainly welcome, the thing also is we do not know when it will be released. You know, every year, it is a fight with the administration to get these dollars out there, and so you cannot count on them. But what the states are saying is that the appropriation has not kept up with the increased energy prices. That is the real problem.

And when you look at the Northeast especially with heating oil or the Midwest or states like Texas that use propane, we are very worried about those places because what should happen this year is you should have enough money because especially elderly families, people who grew up during the depression, do not like to ask for help. The prices are so high that we expect people to be coming in that we did not see last year.

So, when I initially put my testimony together, I assumed we would be going to about 6.2 million, 6.3 million households, and then as I was talking to the states this last week, they were all saying the same thing, "We have to cut the program back in order to provide a meaningful benefit."

And now there is another piece to add to that, too, and I think this is where it is getting very troubling. Energy assistance is becoming a checkerboard across the country. Some states are providing significant supplemental assistance. So combined LIHEAP will get through. Other states for different kinds of reasons provide much less assistance or none. So, in those states, if you are low income, you are much worse off.

So we are looking at a situation developing across the country where some parts of the country, there could be an adequate package of services to help people both in the winter as well as the summer. Other states, it is much less. And I do not think that is a good situation for the country.

I think we have to have a core basic appropriation level, and, again, you know, this is not an entitlement. There is no magic number—$5.1 billion would be much, much better, but $3.1 billion was enough that you could see in states the ability to work out new partnerships with utilities. It seemed much better. It seemed like we were bringing enough money to the table that you could sit

down with the utility companies that are delivering services and say, "Well, let us work out a better program this year," and there was much more willingness. So that to me seemed like the minimum level to keep the program going.

Mr. PLATTS. Is there a state that you would point to as being a leader in the state assistance complementing——

Mr. WOLFE. Well, a number of different models, but I think states where you can see, you know, good examples—New York for sure, Massachusetts has strong programs, California, Wisconsin—where you see states do a combination of things. For example, like in Pennsylvania, where you have strong shutoff protection rules during the winter heating season. You have a combination of shutoff protections, arrearage management programs, as well as discounts on electric and gas, as well as supplements for delivered fuels. When you put them together, you come up with an ability to pay at least half the bill, and that seems to be important in order to keep people connected.

The other thing that we are very worried about is the arrearage management programs that we have developed over the years with utilities where, in a sense, a family runs out of money, cannot pay the bills during the shutoff moratorium, in the shutoff moratorium, that the matching part offered to help them pay the difference—we are finding more and more families just do not have any money. They really do not have anything to contribute, and so that is also alarming us and points to the fact that the $2.1 billion or $2.4 billion is not enough now to meet the needs.

Mr. PLATTS. Mr. Caruso, you touched on the different areas—oil, natural gas, propane—and this is related but not to the LIHEAP program. It is related because it impacts the cost and how far the funding goes. When you talked about electricity, you talked about a 3 percent projected increase. Is that mainly because electricity is heavily coal-fired plants and so there is less volatility?

Mr. CARUSO. Yes, it is. Fifty percent is coal generated, and the coal price stays relatively low, and 20 percent is nuclear. So both of those base load electricity-generating fuels have been at about 2 cents per kilowatt hour, so that has been pretty steady.

Mr. PLATTS. So it is fair to say, as we look at issues like LIHEAP, there are a lot of bigger issues, too, the broader energy policy and if we are able to advance more clean coal or if we return to development of nuclear. I was in, let us see, 10th grade, I guess, when Three Mile Island happened. We were 10 miles from the plant. That scared everyone off for 30 years now. But if we were able to make progress in those long term, that gets to issues that impact programs such as LIHEAP because it does have an impact on energy costs.

Mr. CARUSO. That is absolutely correct. There are a lot of issues with respect to things like carbon restraints, which would change that picture, and renewable portfolio standards, which are being debated as we sit here. So I think everyone has indicated they believe we are in for long-term higher prices, and I think part of it is this changing fuel mix picture as well.

Mr. PLATTS. Yes, I am the lead Republican with Congressman Markey from Massachusetts on the CAFE standards where, you know, one change could diminish our importation of foreign oil by

10 percent by raising CAFE standards for automobiles to 35 miles per gallon, which certainly is a good starting point in my opinion, you know, to impact, again, the big picture which then drives these issues.

I have other questions, but I know I have to wait for a second round if we have a chance to come around.

Thank you, Madam Chair.

Chairwoman MCCARTHY. Thank you, Mr. Platts.

Mr. Sarbanes from Maryland?

Mr. SARBANES. Thank you, Madam Chair, for holding the hearing.

I want to get a little more information about whether there is a train wreck coming this winter, and it sounds to me like there is, and it sounds to me like people will freeze to death this winter because they are not getting heat, and that $3.1 million in 2006, while it may have represented kind of the minimum you could get away with under the cost of energy at that time would not be enough today if it were at that level given the cost of energy.

But, of course, we are talking today about levels that are much lower than that, and the president of the United States of America this morning vetoed the Labor HHS Education appropriations bill, which contained more money for LIHEAP than he had proposed, but even then not nearly enough to address the need that you have described.

So I would just like you to get on the record so that in January and February and March when the local 11 o'clock news is running stories about how people are freezing to death in their apartments or their homes because this assistance was not available, we can look back on this hearing and understand why. So, if you could speak to that, I do not know if numbers are kept about what happens to people as a result of not getting this assistance from the prior year, but I would be interested in that perspective, and then in any predictions you have, as specific as you can get, about what is coming this winter if we do not have the kind of resources in place that we need to provide people with this assistance.

Mr. Wolfe, maybe you can start.

Mr. MANNING. Mr. Wolfe, perhaps I can just make one quick correction to the record which would be helpful in response. Then I will yield the time.

The number of eligible families or individuals who can qualify, who can actually receive this funding, is 16 percent. So it is not that we are serving all but, say, 20 percent. Only 16 percent of those who are eligible under the guidelines to receive LIHEAP funding actually receive it. So there is your first scary number, and now I would like to——

Mr. WOLFE. Okay. We received funding from the Appropriations Committee 2 of the last 4 years to conduct surveys of families receiving energy assistance, and we asked them that question, "What happens when you do not have enough money?" I do not think it is as black and white in a sense as freezing to death or not freezing to death.

What happens is that people say that they do not buy as much food, they do not buy medicine, they cut back on other essentials—clothing, for example, for their children. The elderly—they turn the

heat down to unsafe levels. We know from public health data that if it is too cold in the apartment and you are elderly, some medicines do not work that well. We know that people do not use their air conditioning in the summer. They are afraid to turn it on. And if it is hot in the summer and you are in a very hot apartment, the incident of stroke increases.

So if the kinds of public health things that this program helps prevent will not—what will happen? And those are the kinds of things we are concerned about. Also at the edge, you do see an increase in fires. We know what happens when people have their power turned off or cannot afford to buy heating oil. They do unsafe things, they use candles. In D.C. about a year ago, there was a tragic fire in a part of the city where a young boy died because they were using a candle for a light at night, and it, unfortunately, got knocked over.

Those do not happen as much. I think they used to happen a lot more 25 years ago, before there was a LIHEAP program.

Mr. SARBANES. What does it mean for a senior to reduce the temperature in their home to unsafe levels?

Mr. WOLFE. If you reduce it below 65 at night, the evidence is quite strong that if an elderly person gets up at night, in the middle of the night to, say, go to the bathroom or something, and it is very cold, they can get disoriented and slip. There is ample evidence of that.

We know that medicine that helps prevent heart attacks or high blood pressure medicine does not work as well in a very cold apartment. So those are the kinds of things that we are concerned about. We also know from evidence from surveys that elderly people will not buy as much medicine to pay their energy bill.

It is sort of quiet suffering, I guess you could say, and without adequate energy assistance, you will see an increase in that.

Mr. SARBANES. Would you venture a prediction of how this winter is going to compare with the last 10 winters in terms of the incidence of need and then crisis based on where prices are going and the amount of assistance that is available?

Mr. WOLFE. What I think is going to happen this winter are a couple of things. One, states will impose much tougher moratoriums than in the past, and shutoff moratoriums will continue on through May, and that has happened when in previous times there has not been enough energy assistance money. States will shift money from regular utilities to pay for heating oil and propane because those are immediate bills that have to be paid.

We will also find we will not be doing the outreach that we should be doing. There are elderly people who we know are eligible but struggle and do not like to ask for assistance, but if the price of heating oil hits $2,000 this winter, they will have to ask for assistance and we will have to turn them away because we do not have enough money to help them.

Those are the kinds of things that I think will happen this winter, and they are preventable.

And I think the other point to add is that energy assistance is not like Medicaid where you have, you know, tough issues like cancer, curing cancer or curing illnesses. This is a program that comes down to a bill. It is not a complicated program, and we have a net-

work in place of well over 1,000 community action agencies, for example, that reach people, that provide services, so funding can be spent quickly. This is not a program when additional funding is provided that it just sits there.

So the way I always think about energy assistance is that even though we have a fairly complex law, it is a very, very straightforward program. It is a program that comes down to a bill, and it is really for the absence of having adequate funding, and the thing is over the years we know what happens when you do not have enough funding. We know the kinds of tragedies that happen, and they are totally preventable.

Mr. SARBANES. Thank you.

Chairwoman MCCARTHY. Ms. Clarke from New York?

Ms. CLARKE. Thank you very much, Madam Chair and Ranking Member, to our panelists.

Today is a very important issue. I think it has really been driven home by your testimony, and I thank you for taking the time.

I do not think there is anything more disturbing or more distressing than hearing of the death of an elderly person who has frozen to death or death by fire because of faulty wiring of an electrical appliance, or similarly the converse, for seniors and children who suffer in extreme heat conditions in the summer or in those areas where the climate is always very warm.

This question is for you, Mr. Wolfe. Our weather patterns have become less and less predictable and increasingly more dramatic. We have seen summer temperatures extend well into fall and storms increase in ferocity. Working-class, low-income families are being adversely affected by these extreme changes.

Here is my question. In your testimony, you discuss the complex formula that determines LIHEAP appropriations in regard to the amount of heating and cooling days per year. Does this formula take into consideration the unpredictable weather patterns that we have seen in recent times, and, if so, what does this formula look like?

Mr. WOLFE. Well, the formula right now is that the funds are allocated on the basis of a hold harmless provision that, I think, goes back to 1981. When you go past $1.975 billion, the new formula kicks in, or the formula that was passed back in 1986 kicks in, and that takes into account heating and cooling days over time. So changes in weather would be taken into account.

For example, in the Midwest, in states like Nebraska, people have told me they now have days in the summer that they would like to be able to provide cooling assistance, and that is fairly new. In the cold weather states, it is still cold. It might not be quite as cold, but it is still cold.

What we are finding is that in the past, back in 1981, there was not much known about the need for cooling in the summer. People just thought, "Well, you know, it gets hot. You know, just open the window." Now we know when it gets hot, the rate of stroke for the elderly goes up. We know that cooling is extremely important where, I think, when the programs passed, there was less knowledge. We also know a lot more about the impact of being in a cold apartment than we did.

So the public health concern for LIHEAP and the knowledge behind there, I think, is much stronger than it was then.

And we also know that, as I was saying earlier, there are more and more people in frail health living at home that need adequate energy assistance. It really should be part of their program to keep them in the house, and, unfortunately, it is not. It is often thought of as an aside, like, "Oh, right. There is an energy bill there." Well, it is an extremely important part of the package of helping people stay healthy in their homes.

Ms. CLARKE. I have heard in your testimony the discussion around weatherization and how critical that is, but, you know, I think that that is a preventative measure. For many homes in New York City, in Brooklyn where I am from, there is a cost involved, and, you know, I wanted to ask both you, Mr. Wolfe, and Ms. Barlow. In your testimony, you state that weatherization is a central part of assisting families in need of home energy assistance. Mr. Wolfe, you stated that if a home is weatherized, it can use up to 30 percent less energy than a comparable home.

What can we do to help educate more families on the importance of weatherization and energy efficient living, given the fact that there is an upfront cost to those families? Oftentimes, people defer it because, you know, their income to do something like that is not there. It is just as bad. It is like being between a rock and a hard place because your energy is going up, yet you cannot do the things that are required because of the finances involved.

Can you both give us a sense of that?

Mr. WOLFE. That is a very good point. Unfortunately, the core program of the weatherization assistance program does not receive sufficient funding. It is only enough funding to serve about 100,000 families a year. States supplement that with their own funds. So there is enough funding to weatherize about 200,000 homes a year nationally. That is in contrast to the close than 6 million families that get energy assistance. So really the federal focus is really on bill payment, but the data are clear there is a lot of potential to save energy in low-income homes, which would result in a lower energy bill.

Ms. CLARKE. Ms. Barlow and Mr. Swanson, if you would give us your impressions as well.

Ms. BARLOW. As I indicated earlier, we only receive annually $30,000 a year for the WRAP program, and with that money, we do a home assessment to identify any apparent energy-related structural deficiencies. We make recommendations that might include insulation, caulking of windows and doors, repair of broken windows, replacement of doors, repairs on the heating system, or possibly wrapping the pipes and water heaters. So it is a tremendous savings.

Again, maybe some sort of public service announcements—we need to get the word out there that this is available, but, again, funding is really a critical issue to reach all the people, and it would be a tremendous cost savings.

Mr. SWANSON. I think that in addition to what I have said in my comments about Pennsylvania, my organization provides both direct services and quality control for major utilities. We have been able to get them significantly engaged in the conservation pro-

grams as well. I think the scale is there to do a lot more and get a lot of involvement.

Mr. Manning mentioned that in Pennsylvania we have private contributions by other rate payers, and we are beginning to see a mix of loan programs provided by our state agencies for those who are not quite in this extreme need, but who have some of ability to pay but need these measures.

If there is one thing I have seen over a long period of time, it is a progression of people who more and more have problems with their bills. So, at the same time that we are responding, as Congressman Clarke said, to those people in need, we also want to build a protection system for those who are close to that margin, and given the likely increases in energy costs over time, that is going to be a continuing issue. Pennsylvania is a state that has benefited in many ways—85 percent of its electricity is coal generated. It is the original coal and steel state, okay.

But those protections have helped us a bit. But we have to build a program that starts with people with the greatest need and responds to everybody.

Mr. MANNING. Congresswoman Clarke, just very quickly, we are working also at the state level as a company to ramp up and to introduce additional and new incentive programs for energy efficiency, and allocation will be set for those who are least able to help themselves. So there will be a committed amount out of those additional funds, and we are working through that at the state level, but it is not nearly enough to get us where we need to be.

Ms. CLARKE. Thank you very much, Madam Chair.

And it is great to see you, Mr. Manning.

Chairwoman MCCARTHY. Thank you.

If it is all right with the panel, we have extra questions that some members would like to do. So I do not know what your time restraints are, if you could spend a little bit more time with us?

Mr. Platts?

Mr. PLATTS. Thank you, Madam Chair.

I guess first maybe, Mr. Swanson, with your work in weatherization and the conservation side, I think one of the challenges of how to reach out to individuals to understand the benefits, and even with their own funds, not waiting for public, you know, assistance or private assistance, but depending on the type of unit in which they live that it would be in their own best interests to invest, and so, you know, do you have suggestions on how we can better outreach to the public to say, you know, "here—you know, in the fall, investing in this weatherization with your own dollars, in the end going to reduce"—rather than waiting to get to that crisis?

And then related to that, is one of the challenges—and I do not have numbers to back this up, but my assessment is that with low-income families, more of them are living in rental properties. And so where there is any kind of investment that is infrastructure involved, they are not really the ones to be making that investment—the landlord is, and if the landlord is not paying the utility bill, the renter is paying it directly. The landlord does not really care to make the investment because it is not going to save him or her money. It is going to save the renter money in that direct payment. Do you have any feel for that?

Mr. SWANSON. Yes. The first issue is how do we encourage people in general, particularly those of modest means, to invest in energy, and one of our benefits is we have been doing this for 25 years. We actually started doing a lot of low-tech energy items for people, and public agencies did it. Utilities have done it. The time has come to go back to a serious investment in resources from private utilities and from weatherization agencies to convince people they have got to look at their consumption of energy, how to reduce it.

You know, the other side of this is behavioral changes within acceptable limits. I am always concerned about pushing turning the thermostat down too low because, as Mr. Wolfe has testified, particularly with our senior citizens, they get carried away with it and create dangerous situations. But the behavioral changes along with the other modifications, to go back to more serious investigations, reduce energy, and this is not just for people with modest incomes. You know, it has tremendous other positive benefits. So I think we need to go back to that, and we need to go back to it in a way that is more comprehensive and that reaches out to those that I generally refer to as those that are hard to serve.

The hardest work we do at ACTION-Housing is providing service to people for the first time. These are people, seniors or not, who are tremendously resistant to taking advantage of any resource. I see Congressman Clarke. She knows what I am talking about. These are people who keep saying, as poor as they are, as needy as they are, "This is not for me," right? "I do not need help. I need to go on my way."

We have to find ways working with those who understand communication a lot better than we do to connect with those people and make a difference, okay? So we need to do that, and, in many ways, we need to do it for all our households, to make a difference not only in terms of affordability of energy, but also conservation, as you mentioned.

What we could do in autos, what we could do in homes and, I believe, residentially—there are experts here. Residential and commercial is like 40 to 50 percent of our energy consumption. It some significant number.

Mr. CARUSO. Thirty.

Mr. SWANSON. Thirty percent. Well, it is a huge consumption of energy in our society, and we have mostly ignored it, okay. So I think that is the answer there, is go back to that, and most of our utilities provide high-quality audits. We do. And we can do them very affordably, and that is really a message there.

I have now forgotten your second question. [Laughter.]

Mr. PLATTS. I believe I have as well. [Laughter.]

Mr. PLATTS. And I am going to run out of time here. Actually, I am going to jump to Mr. Manning for a different question.

And it sounds like from Mr. Swanson's testimony or statement in the last response that utility companies are trying to partner with customers investing in improvements, conservation efforts, weatherization and providing some funding for that, for their customers.

Mr. MANNING. Absolutely, and there are various different pots. I mean, to be candid, there is a regulatory opportunity here at the

state level where it can be spread across the rate payers. So those are some of the incentive programs which exist.

In addition to that, companies such as ours are putting in shareholder dollars. So the most traumatic was we had a very cold winter 2 or 3 years ago. LIHEAP completely ran out. It was the first of March. It was still severely cold. And we had an opportunity and we just redirected $3 million from what was going to go into a bonus program right into making up those dollars. So that would be the extreme case where you just write a check from the shareholder.

We also have a foundation which participates every year. We also work very closely with all of the various organizations that are doing this. So there is a shareholder opportunity. There is a ratepayer opportunity where they all participate, and there is an outreach to the consumer as well, and I do not think we have done enough there because, as I indicated, we have had some pretty good response with minimal outreach.

So I think those are sort of your opportunities, and, again, knowing that—I mean, Mr. Swanson has been very articulate on this need for weatherization, and the unfortunate thing is we are so concerned about just the health of our people this winter that we would like to do more on the weatherization, the long term, the prevention. We would love to do more on that.

Obviously, we are being held back a bit because we are keeping concerned about those who are eligible for LIHEAP, and as the chairwoman pointed out, many of these are working families. These are the struggling, working, poor families in the rural areas where the economy is not strong, in the inner city. We have many of both, and we see it.

So, yes, we absolutely believe it is an opportunity to partner, but let us be perfectly clear. The opportunity to bear this with the entire population of the nation is not only opportune, but it is necessary because that is the scale of the problem.

Mr. PLATTS. A final kind of broader picture question for you, Mr. Manning, and it relates earlier when I asked Mr. Caruso about coal and you talked about coal and nuclear. I am one that believes that to address this and related issues that have any connection to energy, we need a truly comprehensive plan, so I am one who is Republican, who is the lead Republican on the CAFE standards, on renewable energy standards, promoting alternative renewable fuels.

But I am also on the other side as far as production that we better access our resources that we have, especially to make the transition to new technology, and in the natural gas area, there is a lot of documentation of our huge reserves in the outer continental shelf area and, you know, getting access to the area that most other nations are already accessing in their regions, but we are not.

Mr. Caruso mentioned the number 11 percent as the projected increase this winter for those who use natural gas. Any projection of, if we were better accessing those resources that we currently are not, how big a difference it would make in that 11 percent? Would it be half of that if we had that, you know, reserve available, or does it give any kind of projection?

Mr. MANNING. My friends behind me will be smiling because, of course, this is an opportunity I have been waiting for for some time, and——

[Laughter.]

Mr. PLATTS. And no one told me that, but it is part of my approach.

Mr. MANNING. Well, I actually am a chosen American. I got my citizenship this year, and I could take you just a few hours north of here to Eastern Canada where, of course, we have been drilling successfully very well and very safely, and there is a tremendous resource. You are absolutely right.

And the AGA has been very committed because we have the relationship with the consumer. We are the ones that serve. We are the ones that talk to the consumers. We are the ones that are taking care of those who need the resource. My background is in the upstream, and so I, in fact, worked on the rigs when I was 18. So, if you ever want to have this conversation, I am available.

But, yes, I cannot give you hard numbers. I think probably my friend on the end can do more, but we need it all, and to increase your availability of natural gas does not say that you are not going to do wind. We absolutely need it all, and we need an energy strategy that captures all of those resources because we cannot get there from here without them.

So we are absolutely enthusiastic about renewables, and we are doing everything we can, and our company has done a lot of work to make sure we facilitate that. We installed the first fuel cells in Staten Island in 1972. So we are also the first ones to tap methane coming off a landfill in New York City. So that is another conversation for another day perhaps, but——

Mr. PLATTS. Thank you and, again, my thanks to all of our witnesses, both the big picture and then on the front lines—if I remember, Mr. Jones who came to your program—in truly serving those in need. I commend you.

Thank you, Madam Chair.

Chairwoman MCCARTHY. Actually, I am listening to the conversation. I said, "This could be the energy committee" as we are listening to everything, but it is true because one fits into the other. I know that on the island I do read those little flyers that you put in there, and I am going to be very honest with you as, maybe, just as a little bit of criticism.

As you point out the different areas that need insulation and everything else, it probably would be good just for the average citizen to have some idea what it is going to cost—you know, how much does it cost to put a wrap around your hot water heater—because if we are talking about the clients that we are trying to help the most, they are going to get a flyer like that, and they are going to say, "I cannot afford it," even though, you know, the different companies are helping them to get to that point.

But I am talking also about the average citizen. You have no idea what it is going to cost to insulate this. I did not know. I thought I had good insulation. I saw one of your flyers. If I can see the wood beams on the floor, I do not have enough insulation. Well, I do not have enough insulation. So I think that might be a good

idea just for the regular consumer. So, hopefully, you will make more money so you can help those that we need to help.

But, Mr. Caruso, I had the pleasure of going to India and China and, obviously, the growth there is unbelievable, and so I am looking at the energy crisis as very long term because, as we see undeveloped countries from when I was a young person to being developing countries now, more and more resources are going to be used.

And so I do believe that this nation—and I did live through the 1970s when we had the crisis and the long lines and the complaining when I think the gas went up to, what, 75 cents, if you could find gas, and here we are going through a crisis again, and then—you know, maybe the government or most people do not feel that way, but, you know, when you are spending $50 a week to fill up your tank versus what you used to spend, that is going to pull back, you know, whether someone is not going to go shopping or Christmas is going to be a little bit tighter this year because people are nervous out there. The average person is nervous because they do not understand everything.

So I think if there is anything that happens long term, it is going to affect, again, the clients that we are looking to help, whether it is heating them, feeding them and certainly making sure that children can grow up to be productive citizens to keep our whole economy going. I mean, that is what we should be looking at, the future for our young people.

So if you could kind of give us a little outlay on what you see for the future in your crystal ball, you know, and what this country is going to face, I think the country is strong enough to understand that we need to do a lot more, and I think everybody realizes it nowadays, but somehow we have to push it a little bit more.

Mr. CARUSO. Yes. Our long-term projections are for higher real energy prices, particularly oil and natural gas, and a lot of that upward pressure on price is the result of strong growth in places like China and India. I mean, they are really going to lead the energy future markets as we project out 20, 30 years.

Now, clearly, that is good news because it means there is a growing global economy. On the other hand, as Mr. Manning has pointed out and Mr. Platts' question implied, we need to look at all sources of energy, including efficiency. That is a source of energy by reducing waste.

And, therefore, as you point out, this sounds like an energy committee, but, indeed, the issues you are dealing with here are directly related to that, and I think we need to think of it in terms of the broad picture and specifically with regard to access to—and I know it is controversial—East and West Coast resources, oil and natural gas, whatever that number is. I agree with Mr. Manning it is hard to say, but whatever the number is that is not being developed in our own country, that will have to be imported.

So, if you do not find and develop new natural gas—let us say it used to be close to the United States—for every thousand cubic feet, we will be importing most likely liquefied natural gas and most likely from the Middle East or perhaps, you know, Nigeria or Russia. So, in terms of security of supply and the economics of it, I think we need to think of this in the broadest way, including how energy relates to the issues of your own committee.

So I absolutely agree with you, Madam Chairwoman, that there is a complete linkage between what we are doing, in my case the Energy Information Administration, and what the other panelists here are doing in serving their clients.

Chairwoman MCCARTHY. Let me just go with a follow up, and, Mr. Manning, you can jump in on it.

I had the pleasure of going to a large corporation on the island that had been using fuel cells, and, obviously, they are very expensive to, number one, put the program together, but, you know, at this point now, they are actually going to be getting new fuel cells because the price has dropped down dramatically. So, with that, I happen to look forward to hopefully research and development where there is clean coal, hopefully that this nation can be independent down the road—I know it is not going to be in my generation, but down the road—so that we can do a better job.

But even with Mr. Manning on helping certainly constituents on Long Island, upstate New York and in the Northeast—and, again, it is not our committee because I happen to be one of those people that do believe that if we do not look at everything, we are not going to survive down the road, and so, with that—and, again, this is not our committee, but it does have to do with helping our constituents that need the most help.

Even having a tax credit—even though you were doing well and you are helping our constituents and I appreciate that, would it be more conducive to even have some sort of credit because you are reaching out, and would that raise money to be able to help the constituents that we have, whether it is weatherization, which would fit in perfectly——

Mr. MANNING. Yes, it would. If you look to the quiver of the federal government, that would certainly be one of the opportunities that you can have access to, and it certainly would, obviously, encourage the utilities. We are looking at a number of opportunities to drive energy efficiency, including decoupling.

There are ways to break that relationship between the volume of energy that you sell and the way you compensate the company. Those are all opportunities. But, certainly, taxation has proven to be a very effective carrot as well and particularly when it is focused. So I would encourage that review.

Mr. SWANSON. If I might add, I think it is an excellent concept. The housing nonprofits in this country have had the benefit of working with a federal low-income housing tax credit, which today produces 120,000 units a year. It is, in fact, the driving force behind affordable housing, the business that I am in. It took time to develop it, but, you know, the investments come from banks, from major corporations, from investing in credits.

About 75 percent of the cost of the housing is actually paid for by the credit investment. The rest of it is in public resources and private loans. I think a similar bold concept related to energy and even cash assistance is very workable, and there is a whole industry out there that is now built and thriving around a tax credit in housing.

Ms. BARLOW. I think tax credits are an excellent, but, once again, we really have to publicize and make people aware of it. The earned income tax credit that would benefit so many people is left

on the table by many, many individuals. So, again, if we had something like that, we would have to get the word out and make sure people know how it would benefit them, but I think it is certainly something worthwhile to pursue.

Mr. WOLFE. I think that—I mean, I agree with everyone—the LIHEAP really works well the way it is. Only 10 percent goes for admin. The low-income housing tax credit—there are quite a few middle men that take, you know, 10 to 20 percent right off the top in terms of trying to move it from the credit to banks to investors.

LIHEAP is really designed to get money out to people right way. In a sense, it is more complementary to, say, food stamps, and I think we need to think about that as an income support program. Yes, it pays for energy, but it also helps support income, and I think the related piece to that is going to be how it ties to the earned income tax credit, is there is no federal program to help with gasoline, and millions of working families this winter are not just going to see higher energy bills to heat their home, but to drive to work.

So we are really looking at almost a second shoe that is going to fall, and I think, as I have sort of listened to everyone talk, I think that is the real problem that poor people are facing this winter, higher costs to go to work as well as higher costs to heat their home, and that is, I think, what we are worried about. And the only program we have to help people with their energy bill is LIHEAP, and I think if that is strengthened, that could help mitigate some of the problems with gasoline.

Chairwoman MCCARTHY. With that, Mr. Wolfe—and I am not going to go into another subject because that is a transportation problem. I know on Long Island, for my working poor, there is no way to go north and south. It is by buses. So that is even another subject. We probably could sit here all day and, you know, maybe by the end of the session, we could actually have some answers.

Ms. Clarke?

Ms. CLARKE. Thank you very much, Madam Chair.

AS a practical matter, behavior modification is costly when it comes to homes and families. According to the company Energy Star, if every American were to replace one regular light bulb with a fluorescent bulb, we would save enough energy to light more than 3 million homes a year. The initial cost of fluorescent bulbs may be more expensive than your average bulb, though the payoff would be greater in terms of the energy efficiency savings.

I want to ask what can this committee do to alleviate the initial economic strain on energy efficient living for working-class and low-income families, and I want to just sort of touch on the topic that Madam Chair just raised and combine that with something that Mr. Platts talked about, and that is the issue of renters, and I want to add to that the factor of aged housing stock and absentee landlords.

Do you believe that a weatherization incentive in the form of a tax abatement could target those particular home environments? That is for everybody.

Mr. MANNING. I think we are on to something, Madam Chair, and I think the opportunity, Congresswoman Clarke, is to look at some of the existing programs which are functioning now, such as

the one that my friend lives and breathes with, and see if we cannot take that model and that structure and turn our attention to that kind of weatherization and those kind of enhancements. Your comment with respect to the upfront cost and the opportunity for light bulbs, that is an excellent example, particularly as just, you know, the compact fluorescents have come down dramatically in price in the last 5 years.

There are more opportunities for what we call compact or distributed generation, micro-combined heat and power, some of these technologies where right now they are just now affordable for those who can afford it. Ultimately, they will come down in price, and they will start to become part of the solution, if, in fact, you can adjust the system.

So there may be an opportunity for us to collaborate and have a look at some of those structural models and try and address the specific questions you have asked.

Mr. SWANSON. Thank you for reminding me what Congressman Platts' second question was, what do you do about rental situations, and we already do conservation in rental situations. It is easier to structure when, in fact, the landlord is paying the energy bill. The landlord is, therefore, motivated to conserve, and it can have the benefit of keeping rents down. It is more complex when—I said it the other way around—the tenants pay, but it is easier to set a benefit there.

When the landlord, in fact, has the opportunity to absorb that benefit, then we actually ask them to make the investments. As you know, my main line business is working with affordable housing. We work with a lot of private landlords, and, you know, many of them are motivated because when they look at the trends and future projections of energy costs, they probably assume scenarios far worse than Mr. Caruso would paint.

They tend to look at 1-year increments and then multiply them by 10 years and assume that their energy bill is going to be 250 percent larger in a short period of time, and so they more than anything understand that there is a limit to what their tenants can afford, all right. It does not do any good to charge tenants for rents that you cannot collect, okay. And that is what we are talking about here.

So I think you see a mix of different benefits there. We already do that in a modest way, and, again, with the right investments, you can structure it so it makes some sense.

Thank you.

Ms. BARLOW. I think what is difficult for people who are cash poor is to understand the concept that spend more now, and you will be able to save later, and that really relates to what Mr. Wolfe said, and that is the problem with the tax abatements, very, very difficult to get that concept across, even though it would benefit them. So it is kind of a negative answer. I do not have an alternative answer, but that is my reaction.

Mr. WOLFE. One thing to add is 40 percent of all low-income families own their own home. You know, nationally I think it is about 65 percent, and we have a program with the Ford Foundation. We have pilot sites in 12 cities. We actually had one on Long Island, with CDC on Long Island, where you looked at using weatheriza-

tion as the base, not just energy efficiency and helping save bills, but you can also see it as a program that can help strengthen low-income home ownership.

We brought together HUD programs with weatherization with state funds, and what we saw was that many families had a set of common problems—many families that own homes—high energy bills, homes that were in need of repair, and high interest rate mortgages, and it all comes together. You know, in some ways, you can think of subprime lending as an issue over there and HUD programs as an issue over there and weatherization over here and energy assistance, but when you put them together, you can really make a terrific difference in a family's life.

And that is what we saw in our pilot programs, that, yes, these programs are underfunded. There is no question there is not enough money, but they really can work and do terrific things to help families, and we saw that in each of our pilot sites, and I think what we are trying to get at is: Is there a way to use federal and state monies to strengthen low-income home ownership? And I think the answer is "yes," that if you think of weatherization and energy assistance as a key piece of that solution, then I think all else follows.

And you see that, yes, of course, this program should be funded better and, of course, I think it helps to strengthen those families because they are all struggling to retain home ownership. These are families who live paycheck to paycheck. How they got their first house is a miracle sort of thing. It is the only asset they have. It is how they grow assets over their life. And we can use weatherization as a way to give them a helping hand to kind of strengthen their ability to keep and maintain their home.

Chairwoman MCCARTHY. I want to thank all of you for coming here and testifying today. I think we have learned an awful lot. We have covered an awful lot of subjects. But, again, it is how are we going to do a better job on taking care of our constituents to make sure that they have heat?

You have heard me mention before my background is a nurse, so I believe holistically, and, unfortunately, Ms. Barlow, you hit it right on the head because Congress does not see sometimes that by spending a little money, we can save a lot of money in the end, and that could be for health care, that could be for education, that could be almost every single subject that you want to, you know, cover there.

So I thank you for your insight, but, again, it is unacceptable that over a million households lost use of critical utilities last year. We must work together to make sure this program gets the funds it needs. We want local program administrators like you, Ms. Barlow, to retain the dedicated staff such as the people you talked about. We need to strengthen public-private partnerships and help states to find ways to work with companies to increase the reach of LIHEAP without lowering the benefits of LIHEAP.

I want to again thank each and every one of you. I would love to have a committee hearing with Charlie Rangel for the tax area, Financial Services, Mr. Swanson, because we are actually doing a lot on housing, and we want to look at how we are rebuilding or

renovating the apartments that so many of our low-income families are in.

I live in an apartment building right here, and you have to open the windows in the winter even though I do not have the heat on. I never put the heat on in my apartment, but, last year, they decided to put in brand-new windows. At least now during the summer, I do not have to raise the air conditioning all the way up because it actually stays cool. So there is money to be saved.

As previously ordered, members will have 14 days to submit additional materials for the hearing record. Any member who wishes to submit follow-up questions in writing to the witnesses should coordinate with the majority staff within the requested time.

[Additional submission from Chairwoman McCarthy follows:]

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COUNTY EXECUTIVE

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November 2007

Dear Congresswoman McCarthy:

As the Area Agency of Aging for Nassau County, the Department of Senior Citizen Affairs recognizes that the Home Energy Assistance Program is one of the most effective ways to help keep our constituents warm this winter. Heating costs are a common concern to older persons on fixed incomes, disabled individuals, and families with little income and few resources. According to the Energy Information Administration, residential heating oil topped $3.11 per gallon last week, an increase of 74¢ over the price this time last year. Natural gas prices have also increased, though not as dramatically.

The HEAP program, which can provide as much as $540 in assistance, offers critical help to those citizens who are struggling to pay the high costs of heating their homes. Emergency benefits and weatherization services further assist citizens who are hard-hit with the expense of heating and maintaining their homes. Last year, more than 2,700 seniors in Nassau County took advantage of HEAP benefits. This year, with the increase in predicted heating costs, a slighter colder winter forecast, and better use of HEAP funds, we hope to reach out to a greater number of eligible households.

We applaud the efforts of the state's oil buying component to ensure that all HEAP recipients who use oil heat will get a discount on their HEAP deliveries, maximizing the buying power of the HEAP funds. In addition, current regulations now permit emergency benefits to be made available to households who have less than ten days' supply of oil. By avoiding a true "out of oil" situation, the program will eliminate the costs of priming a depleted furnace, and will help ensure that no eligible person will be left out in the cold.

As important as the HEAP program is, there is room for improvement. Benefits should be increased, especially for those households at or below poverty levels. In addition, the annual recertification process should be streamlined, and perhaps tied more closely to tax information that is already available at the state and federal levels for those who wish to avoid the delays inherent in a largely paper-based system.

Home energy assistance is a critical program, particularly in areas of the country where cold weather can imperil the lives of our frailest citizens. As an advocate for older persons and the disabled, this Department applauds the federal government's funding of the program and urges that it continue to keep our citizens safe, and warm, in their homes.

Sincerely,

Sharon Mullon, D. Min.
Commissioner

Without objection, this meeting is adjourned. Thank you very much.

[Whereupon, at 4:52 p.m., the subcommittee was adjourned.]

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