

**Testimony on Senate Bill 1124 and the
Low-Income Home Energy Assistance Program
Linda Blanchette, Deputy Secretary, Office of Income Maintenance**

Senate Public Health and Welfare Committee

February 3, 2010



pennsylvania
DEPARTMENT OF PUBLIC WELFARE

Good morning Chairwoman Vance, Chairman Hughes, committee members and staff. Thank you for the opportunity to testify today. I am Linda Blanchette, Deputy Secretary of the Office of Income Maintenance for the Department of Public Welfare. The Office of Income Maintenance administers low-income assistance programs in Pennsylvania, such as Temporary Assistance for Needy Families or TANF, General Assistance, Food Stamps or SNAP, Medicaid, and the Low-Income Home Energy Assistance Program, or LIHEAP. Before I comment on Senate Bill 1124 specifically, I would like to provide some background on LIHEAP.

General Information on LIHEAP

LIHEAP is an annually funded federal block grant program – there are no state funds in the program. The LIHEAP appropriation comes to the state in the form of a basic block grant, which is a set amount provided to the state according to a federal funding formula, supplemented by emergency contingency funds. The basic block grant is available upon passage of the federal budget, generally October 1 of each year.

Contingency funds are released upon approval by the President, typically in January.

Pennsylvania's LIHEAP program consists of two components: cash and crisis. The cash component provides grants to low income households based on income, family size and area of the state in which the applicant lives. The cash grant is intended to help the applicant pay for heating costs by supplementing the applicant's own resources or other available resources the applicant may be eligible for.

The crisis component is intended to meet immediate emergency situations where the individual has no heat due to a utility termination, fuel shortage or broken heating equipment. The crisis component also includes the crisis interface program between the

Department and the Department of Community and Economic Development to assist with furnace repair and replacement.

The Department administers LIHEAP, with responsibility for program planning, budget development and management, eligibility determination and benefit issuance, and quality assurance and monitoring. Each year, we develop the annual LIHEAP state plan. This plan sets out the policy and program parameters based on available federal funding and program goals and objectives.

In addition to considering the potential federal allocation, planning includes evaluating the policy and operations of the current year's program, monitoring energy prices, and discussions with the federal LIHEAP office as well as national organizations like the National Energy Assistance Director's Association. This research and evaluation informs the development of the State Plan.

Because LIHEAP is a block grant program, the commonwealth receives a set amount each year. The department must set income thresholds, grant amounts, and program timeframes in a way that makes the most of every dollar for the greatest number of vulnerable low income households, especially those households with elderly members, people with disabilities and families with young children. These households are most at risk during the winter months and LIHEAP is intended to help them to maintain safe temperatures in their homes.

The federal LIHEAP statute requires that grants go only to eligible individual recipients in a manner similar to other public benefits such as SNAP (food stamps), medical assistance or cash assistance. Individuals must apply and provide documentation of income, household size, heating responsibility and other information as required in

order to get a LIHEAP grant. Applications are processed and eligibility is determined by the County Assistance Offices. With very few exceptions, LIHEAP grants are issued to a fuel vendor or utility company on behalf of the eligible recipient. This payment methodology assures that the LIHEAP grant goes to purchase fuel or pay a utility bill as intended.

Department Position on Senate Bill 1124

I would now like to spend a few minutes talking about Senate Bill 1124. From a statutory basis, the department opposes Senate Bill 1124 because it attempts to define LIHEAP program parameters that may conflict with sections of the federal LIHEAP statute. In addition, from a programmatic basis, we believe that this legislation imposes restrictions that are inconsistent with the essential purpose of the program, that is, to help low income households to stay safe and warm during the winter months. These restrictions will hurt many rural families that rely on oil heat and that benefit from the Oil Discount program. Moreover, the requirements of the bill as they apply to the cash and crisis components of the program will result in a misallocation of resources. Finally, the bill removes the administrative flexibility necessary to manage a constantly changing program. Let me go through these issues individually.

Crisis Grant Funding

Section 3(c) of the legislation would require crisis grant funding go to utility companies during the winter when the utilities cannot shut off low-income customers' energy source due to the Public Utility Commission's (PUC) winter termination moratorium. Under current policy, we do not issue crisis benefits to households who receive a termination notice from a regulated utility when the PUC winter termination

procedures begin in December. Senate Bill 1124 emphasizes the crisis component of LIHEAP while overlooking the fact that the cash program is fully available during the winter moratorium period. Households that apply and are eligible for a cash grant will have that amount applied to their utility bill. In many cases the cash grant is more than sufficient to satisfy the delinquency. In fact our analysis of crisis payments in the 2008-2009 program year showed that in about 65,000 cases the cash grant alone would have resolved the delinquency.

“Crisis” is defined in the federal statute as “weather-related and supply shortage emergencies and other household energy-related emergencies.” 42 U.S.C. §§ 8622 and 8623. Customers who are covered by the winter termination moratorium are not facing a home heating emergency as defined by federal law. Further, issuing LIHEAP crisis funds to regulated utility customers during the winter moratorium is inconsistent with the State Plan requirement of being “without heat or in imminent danger of being without heat.”

Using crisis funds when there is no true emergency would deplete LIHEAP funds and would divert scarce funds away from eligible recipients who are in true emergency situations. Diverting funds would also have the affect of reducing the amount of money available for cash grants, thereby putting thousands of households at risk.

The legislation would also require the department to operate the crisis component until May 31. Typically the crisis component runs until March 15 as required by state law; however, we have extended the program if funding permits, as is the case this year. Because Senate Bill 1124 does not provide the supplemental LIHEAP funding necessary

to carry out this provision, we would have to make significant and potentially harmful changes to the program, for example:

- DPW would be forced to open the crisis component about 10 weeks later than its current start, meaning crisis funds would not be available until mid-March, because there is not enough federal funding to extend the crisis program through May 31 and still open it mid winter when it is needed most. The result of this change would be that households using deliverable fuels would not be able to get a crisis grant in the coldest winter months. Statewide, 47 percent of crisis payments go to deliverable fuel customers, many of whom live in the coldest rural counties. The following are the percentages of crisis payments going to deliverable fuel customers in specific counties as an example. These are customers who would not be able to get a crisis grant during the winter months.

Cumberland	59%
Northampton	66%
Chester	52%
Butler	37%
Crawford	51%
Wayne	72%
Wyoming	90%
Clearfield	88%
Susquehanna	88%

- There would be a reduction in the number of households who receive a cash grant because funding for cash grants would be diverted to crisis payments for households with delinquent utility bills even if they are not in danger of termination.
- Administrative costs would rise because we would need to hire additional temporary workers and maintain these workers longer to assist with program

administration. The additional cost includes wages and the cost of unemployment compensation for these seasonal workers.

Budget Billing

The LIHEAP State Plan states that crisis recipients shall be enrolled in a customer assistance program or budget billing, if it is available and if it would be advantageous to the household. Senate Bill 1124 proposes that all participating energy vendors must provide budget billing over 12 months for eligible applicants. This provision may be problematic for deliverable fuel vendors, particularly some of the smaller, local companies who may not be able to offer budget billing. If all LIHEAP vendors are required to offer budget billing as a prerequisite for program participation, some providers may have to drop out of the program. This may have a disproportionate impact on households in rural areas where there are already limited vendors.

Eligibility Verification for Vendors

Section 3(d) of the legislation would require the department to work with vendors to verify eligibility for the vendors' customer assistance programs and hardship funds. While we support coordination of resources to help low income households to meet their home heating needs, this provision would require either the development of a sophisticated database system or intensive manual effort. In either case, the extensive level of administrative effort would drain resources away from funding for LIHEAP grants to customers as every dollar spent on administrative costs is a dollar less for benefits.

Negotiation of Pricing and Impact on the Oil Discount Program

The bill would eliminate our ability to negotiate energy pricing for LIHEAP recipients and would require us to discontinue the Oil Discount Program. The program increases the purchasing power of LIHEAP recipients who use fuel oil or kerosene by requiring vendors to provide fuel to LIHEAP recipients at a discounted price. After a successful pilot of the Oil Discount Program in four counties, we are adding five counties to the program for the 2009-2010 heating season and plan to implement the program statewide by the 2013-2014 heating season. During the 2008-2009 LIHEAP season, the Oil Discount Program gave the department \$691,000 in additional buying power, extending LIHEAP resources to benefit other low income households.

Submission of Information to the General Assembly

Senate Bill 1124 would require that copies of public hearing testimony be provided to the Pennsylvania Senate and House 60 days prior to the deadline for the submission of the Final LIHEAP State Plan to the U.S. Department of Health and Human Services (HHS) on September 1 each year. In order to meet this timeline, the Proposed State Plan and public hearings would need to be completed by May or early June of each year. This would not allow sufficient time to thoroughly analyze the current year's performance, develop solutions for improvement, and incorporate these solutions into the State Plan for the next program year. Further, that timeframe is very early into the federal budget process. Even with the current timeline where the state plan hearings are held in July or August, the department has no solid information about federal funding. An earlier timeline would further hamper our ability to establish program parameters that reflect federal funding levels. Additionally, requiring the development of the state plan

that early would divert staff time from the current program year's activities in order to prepare for the next program year.

To illustrate this point, consider the timeline for the Fiscal Year 2010 LIHEAP funding:

- The President's FY 2010 budget request was released on May 7, 2009. The budget proposed to fund the FY 2010 LIHEAP at \$2.41 billion in block grant funds with \$790 million emergency contingency funds.
- On September 30, 2009, Congress passed a continuing resolution bill that maintained LIHEAP funding at the FY 2009 level of \$5.1 billion.
- Upon passage of the continuing resolution, HHS released 75 percent of the total allocation or \$211 million; DPW was notified of the amount on October 26.
- The final funding level for LIHEAP was officially approved by Congress in the Fiscal Year 2010 Labor/HHS/ED appropriations bill as part of an Omnibus Spending bill; passed on December 15, 2009.
- HHS released the second installment of the block grant on January 12, 2010.
- On January 20, 2010, HHS released \$490 million in emergency contingency funds, resulting in an award of \$26.2 million for Pennsylvania, which we will use to supplement LIHEAP cash grants in 2009-10.

Conclusion

LIHEAP has been an important component of Pennsylvania's safety net system for more than 25 years. We are committed to working with the General Assembly and other stakeholders to continually assess and improve LIHEAP for the benefit of low income Pennsylvanians. Senate Bill 1124 presents significant obstacles to running LIHEAP in a

manner that is consistent with federal statute and that uses resources efficiently, effectively and equitably among the thousands of low income households who rely on LIHEAP to stay safe and warm during the winter months.

Thank you for the opportunity to testify today. I will take any questions you have at this time.