

***Why Arizona Needs a Well-Funded US LIHEAP Program –
and what you can do about it!***

Arizona Community Action Association

Cynthia Zwick

602.604.0640

What is ACAA and Partner Advocates' Mission?

- Better federal LIHEAP and Weatherization Program funding
- To ensure that funding benefits qualified at-risk Americans in all regions of our country, including those in warm-weather, fast-growing, and high-poverty concentration states

What's LIHEAP?

- The Low Income Heating Assistance Program?
(That's what many mistakenly call it)

- Or the Low Income Home Energy Assistance Program?

(That's what it is!)

What's the difference?

Answer: Cooling!

LIHEAP 101

- Originally enacted in 1981 as one of the Reagan Block Grants, focused on heating.
- Amended in 1984 to address heating and cooling – the fine print matters.
- Law created a two tier funding mechanism.
- But mechanism can be contorted by annual funding language.

LIHEAP's 1981 "Old" Formula

Arizona's Base grant share of the 1st \$1.975 billion nationally committed to LIHEAP Base grants is today determined by:

- The ratio of state/national residential energy expenditures **in 1979**;
- Annual avg. heating degree-days between **1931-80** times households at/below 125% poverty **in 1980**;

And/or:

- The ratio of state/national residential home-heating expenditures **in 1979**;
- Annual avg. heating degree days **squared**, times households at/below BLS lower living standard **in 1980**;

And/or:

- The increase in residential heating expenditures between **1977-80**
- Annual avg. heating degree days **squared** times households at/below 125% of poverty **in 1980**.

The above process further requires:

- A ratio derived from the above factors, expressed as a percentage, applied as a pro-rata reduction
- Conversion of that allocation to a dollar amount
- Subject to a comparison of that result to each state's **1980** allocation
- And, another pro-rata reduction
- And another comparison to 75% of each state's **1980** Crude Oil Windfall Profits Tax formula.

LIHEAP's 1984 "New" Formula

*Congress amended LIHEAP and established that for Base grant funding above \$1.975 billion, LIHEAP's 'New' (1984) formula is to control. The New formula uses the following **latest available data**:*

- State residential fuel consumption for space heating and cooling
 - electricity
 - fuel oil/kerosene
 - natural gas/LPG
 - wood/coal
- Annual and average heating/cooling degree days
 - region/weather zone
 - state
- Percent of low-income households heating and cooling with each fuel
- State average price for fuel

LSU Energy's Center: "the perfect distribution formula..."

What Does This Mean?

- Arizona derives relatively little from LIHEAP's Old formula. (e.g., State had 2.7 million citizens in 1980; but it has >6.4 million today).
- Heating Degree Days squared hurts!
- Substantial activation of LIHEAP's New formula ties Arizona for largest percentage increase in the nation....reflecting State's real need – not luck!

LIHEAP isn't an Entitlement

- Funding is insufficient and runs out
- Program runs on 1st come/1st served basis
- Prioritizes households w/elderly, disabled and/or preschool-aged children
 - Veterans are LIHEAP's fastest-growing demographic (=21% of US households helped)
- Program helps 20% of US eligibles
- In AZ, it reaches just 6%....

Arizona's Need is Desperate

- US CDC: “Heat kills more Americans than all other weather phenomena combined”
- US NOAA:
 - “Summer of 2012 was 3rd-hottest on record in continental US...”
 - “This July was the hottest ever”
- Arizona’s 19% 2011 poverty rate is 6th highest rate in the nation

Just because Arizonans need help doesn't ensure they'll get it!

- Annual Appropriations riders contravene LIHEAP's underlying allocation of funds.
- Currently, LIHEAP Base grants are operating at a \$3.5 billion annualized rate.
 - Should be \$1.975 billion under “Old Formula”
 - And roughly \$1.5 billion under “New Formula”
 - But it's not....
- Arizona's actual annualized FY12 receipt = \$23.8 million.

FY13 LIHEAP Scenarios

- Senate Committee's \$3.5 billion as reported:
 - AZ's share: **\$23.2 million**
- House's Subcommittee's \$3.5 billion as reported:
 - AZ's share: **\$34 million**

(Program level funded @ annualized rate of \$3.5 billion thru 3/27/13)

What makes Arizona's House receipt 47% better than the Senate, if both are \$3.5 billion?

Three reasons:

- Senate Committee reserves \$100 million nationally for Contingencies (AZ's receipt of such funds will likely be slight)
- Senate Committee diverts nearly \$1 billion from the New to the Old formula
- House Subcommittee just follows the law.

Actual FY12 Appropriations Language

PUBLIC LAW 112–74—DEC. 23, 2011 125 STAT. 1077

“LOW INCOME HOME ENERGY ASSISTANCE

For making payments under subsections (b) and (d) of section

2602 of the Low Income Home Energy Assistance Act of 1981,

\$3,478,246,000: *Provided*, That **all but \$497,000,000** of such funds **shall be allocated as though the total appropriation for such payments for fiscal year 2012 was less than \$1,975,000,000...**”

Actual FY13 Senate bill language

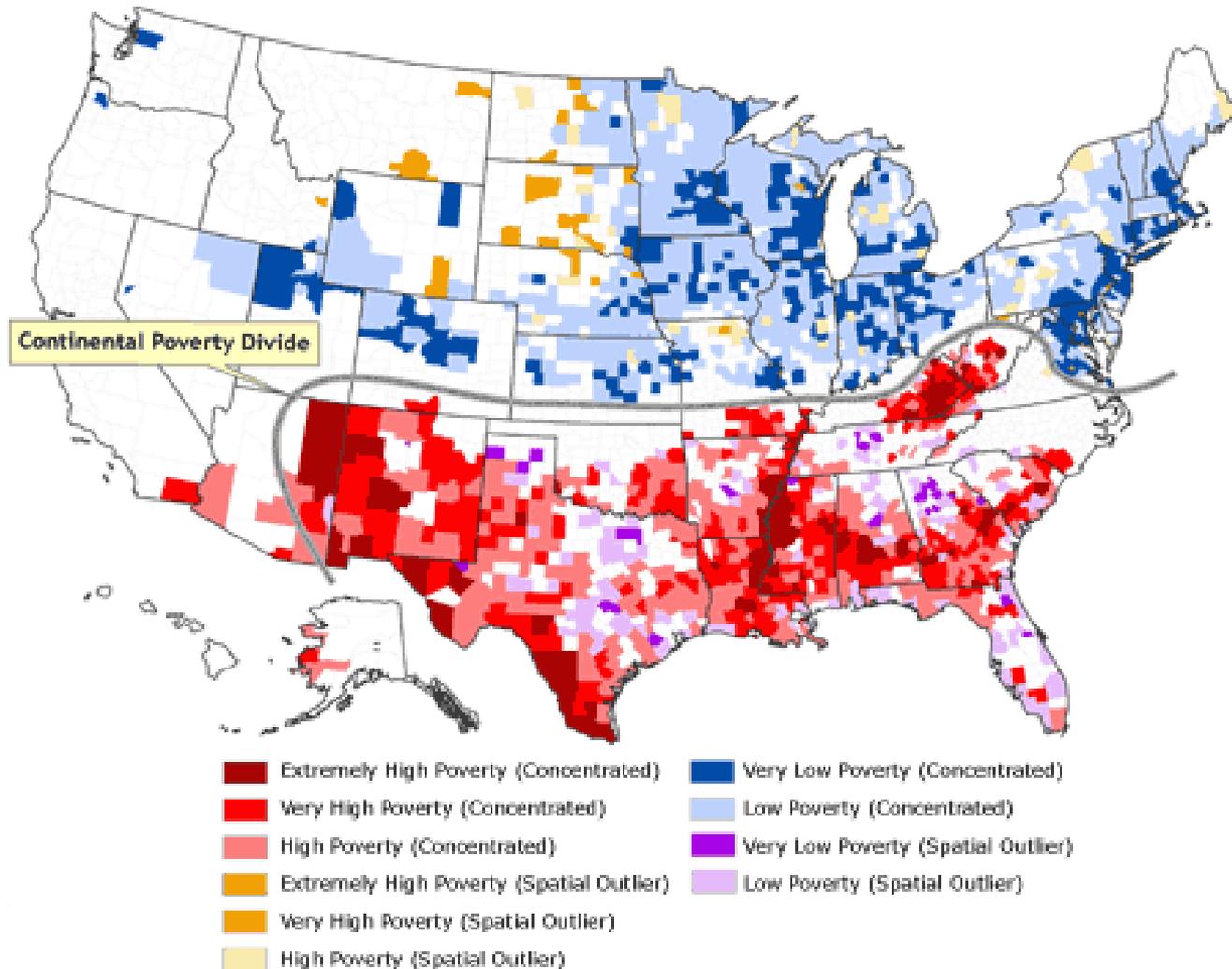
- **low income home energy assistance**
- For making payments under subsections (b), (d), and (e) of section 2602 of the Low Income Home Energy Assistance Act of 1981, \$3,471,672,000, of which \$3,371,672,000 shall be for making payments under subsections (b) and (d) of such section; and of which \$100,000,000 shall be for making payments under subsection (e) of such section, to be made notwithstanding the designation requirements of such subsection: **Provided, That all but \$482,000,000 of the amount provided in this section for subsections (b) and (d) shall be allocated as though the total appropriation for such payments for fiscal year 2013 was less than \$1,975,000,000...**

Actual FY13 House bill language

LOW INCOME HOME ENERGY ASSISTANCE

For making payments under subsections (b) and (d) of section 2602 of the Low Income Home Energy Assistance Act of 1981, \$3,471,672,000:

Where is Poverty Concentrated?



How to Make this Better?

- It's a representative democracy
 - APS/ACAA/TEP/and other advocates are doing their jobs
- Arizona Delegation is listening
 - But their plates are full
 - This is more than an annual challenge
 - Next time @ bat is early next year
- Better-fund LIHEAP and Weatherization
- Resist appropriations diversions/explain the need and effects

Things to Do

- Follow the details
- Thank your appropriators and engage them this year
- Engage regional HHS administrators
- www.supportLIHEAP.org
- NFFN's LIHEAP Action Day
 - Wednesday, Feb. 13, 2013
 - Tuesday, July 30, 2013 (tentative)

It's the Deficit....

- Great pressure to cut all programs
- Weatherization is imperiled
- Great need for LIHEAP virtually everywhere
 - Cold-weather states have long-understood the need for LIHEAP
- Many noble programs at risk

What Are the Consequences of Cutting Too Much?

US Government Accountability Office:

"Insufficient financial resources at the grant-making agency or recipient to administer or implement the grant can also limit the effectiveness of a grant in a number of ways. Financial capacity constraints may lead some recipients, such as nonprofits, to reduce the population served, the scope of services offered, and possibly forgo or delay physical infrastructure and technology improvements and staffing needs. We have previously reported that because many nonprofits view cuts in clients served or services offered as unpalatable, they have reported that they often compromise vital "back-office" functions, which over time can affect their ability to meet their missions.³⁸ Further, nonprofits' strained resources limit their ability to build a financial safety net, which can create a precarious financial situation for them. Absent a sufficient safety net, nonprofits that experience delays in receiving their federal funding may be inhibited in their ability to bridge funding gaps. When funding is delayed, some nonprofits have reported that they either borrow funds on a line of credit or use cash reserves to provide services and pay bills until their grant awards are received. **Collectively, these issues place stress on the nonprofit sector, diminishing its ability to continue to effectively partner with the federal government to provide services to vulnerable populations.**"

SOURCE: Sept. 2012; <http://www.gao.gov/assets/650/648792.pdf> at pages 28-29

Thank You for Navigating These
Challenges!