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The Low Income Home Energy Assistance Program (LIHEAP): An Alternative to the Natural Gas Sales Tax Reduction

Key Findings

- LIHEAP assisted over 103,500 low-income Georgians (average household income of \$8,500) with their heating bills providing an average of \$239 in FY 2005.
- LIHEAP had a waiting list of over 25,000 households in FY 2005. It is estimated that over 400,000 Georgia households are eligible for LIHEAP.
- The proposal to decrease the sales tax on natural gas from 4 percent to 2 percent will cost the state treasury \$16 million to \$20 million. The average household will save \$16 to \$20.
- A \$20 million state appropriation for LIHEAP would allow an additional 90,000 low-income Georgians to receive over \$200 in assistance.

Background

The Low Income Home Energy Assistance Program (LIHEAP) is a federally funded program that provides financial assistance for home heating and cooling, energy crisis intervention, and low-cost weatherization to low-income households. LIHEAP serves mostly the elderly, people with disabilities, families with young children, the working poor, and those making the transition from welfare to work. Federal law limits eligibility to households with incomes that do not exceed the greater of 150 percent of the Federal poverty level or 60 percent of the State median income. States cannot set the requirements below 110 percent of the Federal poverty level. Twenty-four states supplement federal LIHEAP funds with additional state and/or local funding.¹

LIHEAP in Georgia

The Division of Family and Children Services (DFCS) of the Department of Human Resources (DHR) is responsible for

LIHEAP. DFCS contracts with the 20 Community Action Agencies throughout the state to administer the enrollment and distribution of funds.

Funding

In addition to federal funds, LIHEAP receives funds from the Public Service Commission’s (PSC) Universal Service Funds for Rate Assistance, as well as donated funds from H.E.A.T., Inc. Georgia is one of twenty-six states that does not directly appropriate state funds to LIHEAP.

- The Universal Service Funds for Rate Assistance is administered by the Public Service Commission and receives funds through surcharges on large industrial users. Energy assistance is the primary goal of the fund. Since 2001, funds have been disbursed through the LIHEAP program.
- H.E.A.T., Inc. is a non-profit organization that provides energy assistance statewide to Georgians in need. H.E.A.T. was originally established by Atlanta Gas Light Company in 1983 and became a separate non-profit in 2000.

The combined LIHEAP funding from the federal government, PSC, and H.E.A.T. will total approximately \$23.7 million in FY 2006. As shown in Table 1, it is expected that LIHEAP will receive \$1.2 million less in FY 2006 than in FY 2005.

**Table 1
LIHEAP Funding FY 2005 and FY 2006 ²**

Funding Source	FY 2005 Expenditures	FY 2006 Budgeted
Federal Funds	\$18,679,760	\$16,963,656
PSC Universal Service Fund	\$5,594,656	\$6,000,000
H.E.A.T.	\$564,141	\$700,000
TOTAL	\$24,838,557	\$23,663,656

Regular Energy Assistance Program and Crisis Intervention Assistance

The two main assistance programs under LIHEAP are the Regular Energy Assistance Program and Crisis Intervention Assistance Program. Eligible households must meet three requirements:

- Income at or below 150 percent of poverty (\$24,135 for a family of three).
- Responsibility for paying the cost of energy for the primary home heating source.
- U.S. citizenship or legally admitted alien.

Enrollment opens November 1st for households that include people over 65 years of age and/or people who are homebound and disabled. Beginning December 1st, enrollment opens for the general public, with priority given to the elderly and disabled. Enrollment is capped due to fund limitations.

The financial assistance from the Regular Energy Assistance Program is primarily in the form of locally issued checks to home energy suppliers on behalf of eligible households. The amount of assistance depends on the projected total gross annual household income, household size and payment schedule or increased cost of home heating energy. Assistance ranges from a minimum of \$174 to a maximum of \$220. Those over age 65 who live on a gas line may receive an additional payment of between \$174 and \$220 (for a total of between \$348 and \$440) from the PSC Universal Service Fund.

Crisis Intervention Assistance is provided to eligible households who face a disconnection of service. Assistance is provided within 48 hours after an eligible household applies and within 18 hours in a life-threatening situation. Financial assistance is in the form of a vendor check written at the local level. The amount of assistance is the same as with the Regular Energy Assistance Program.

In FY 2005³:

- Over 103,500 households were assisted with their heating bills. The average benefit totaled \$239. Over 400,000 households are eligible for LIHEAP; however, more than 25,000 households who applied and were eligible for LIHEAP did not receive assistance due to lack of funds.⁴ In that funding is limited, Community Action Agencies undertake very limited education and outreach activities.
- Almost 75 percent of LIHEAP recipients had incomes under 115 percent of the poverty level. The average income of households receiving LIHEAP assistance was approximately \$8,500.
- Forty-two percent of households receiving LIHEAP assistance included individuals with disabilities and 58 percent included persons over the age of 65.
- Almost 13 percent of households receiving LIHEAP assistance had children 5 and under.

Outlook for the 2005-2006 Winter Heating Season

Due to a global shortage of natural gas, it is estimated that home heating costs will be approximately 50 percent (\$410) higher in the 2005-2006 heating season than in 2004-2005.⁵ In the five month period of November 2004 through March of 2005, the average home heating bill for low income customers totaled \$798.⁶ It is estimated that in the five month period of November 2005 through March of 2006, the average home heating bill for low income customers will total approximately \$1,208.⁷

The Governor has issued an Executive Order that will cut the sales tax on natural gas and liquid propane from 4 percent to 2 percent for the three month period of January through March 2006. The Executive Order only applies to residential heating bills. This sales tax reduction will cost the state treasury between \$16 million and \$20 million.⁸ Such a sales tax reduction would give all Georgia natural gas residential customers, regardless of household income, between \$16 and \$20 in relief.

Alternative Proposal for Relief from Increased Heating Bills

As home heating bills for low income households increase by an estimated \$410 this winter, the \$16 to \$20 in relief from the Governor's sales tax reduction would seem to be insufficient to mitigate the increased hardship. Moreover, \$16 to \$20 in relief to middle and upper income households would appear to accomplish no public policy purpose. Rather than expending \$20 million on insufficient tax relief for all households, a \$20 million appropriation to LIHEAP would have a significant impact on those families most hurt by the increased home heating bills. A \$20 million state appropriation to LIHEAP would almost double the amount of assistance available to low-income Georgians and allow for education and outreach activities. Assistance averaging over \$200 would be available to an additional 90,000 low-income households.

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Endnotes

- ¹ LIHEAP Clearinghouse 2004 State-by-State Supplements to Energy Assistance and Energy Efficiency. www.liheap.ncat.org/Supplements/2004/supplement04.htm.
- ² Statistics for the LIHEAP program including budget, expenditure and demographic information received from the Department of Family and Children Services.
- ³ LIHEAP fact sheet received from Department of Family and Children Services.
- ⁴ Data from Department of Children and Family Services. Waiting list reported for 15 of 20 Community Action Agencies.
- ⁵ Energy Information Administration "Residential Natural Gas Prices: What Consumers Should Know" http://www.eia.doe.gov/oil_gas/natural_gas/analysis_publications/natbro/gasprices.htm.
- ⁶ November 2004 through March 2005 monthly heating bills from PSC website Regulated Provider Group 1 customers <http://www.psc.state.ga.us/gas/marketerpricing/pricecard-04.asp>.
- ⁷ November 2005 through December 2005 monthly heating bills from PSC website Regulated Provider Group 1 customers <http://www.psc.state.ga.us/gas/marketerpricing/pricecard-05.asp>. January through March of 2006 monthly heating bills calculated by increasing 2005 monthly heating bills by 50 percent.
- ⁸ Press Release from Governor Sonny Perdue 12/19/2005.