



**COMMONWEALTH OF VIRGINIA  
DEPARTMENT OF SOCIAL SERVICES**

October 1, 2005

TO: The Honorable Mark R. Warner

and

The General Assembly of Virginia

The report contained herein was prepared pursuant to §63.2.805 of the *Code of Virginia (Code)*. The *Code* requires the Department of Social Services to submit an annual report on the effectiveness of low-income energy assistance programs in meeting the needs of low income Virginians.

This is the fifth annual report on the effectiveness of low-income energy assistance programs in the Commonwealth. The report evaluates the effectiveness of energy assistance programs for low-income households and the adequacy of energy assistance benefits. The manner in which low-income households attempt to cope with recent increases in home energy costs is also addressed.

Additionally, the report discusses drastic increases in home energy costs, decreases in recipient benefit purchasing power and the difficult choices facing low income, vulnerable citizens in the Commonwealth. Analysis of data contained in this report documents the significant and positive impact energy assistance programs have on recipient households as well as the significant shortfall in available resources to serve eligible households.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Anthony Conyers, Jr.".

Anthony Conyers, Jr.  
Commissioner

**Report on the Effectiveness of Low-Income  
Energy Assistance Programs**

**July 1, 2004 – June 30, 2005**

# **Report on the Effectiveness of Low-Income Energy Assistance Programs**

## **PREFACE**

The *Code of Virginia (Code)* requires the Virginia Department of Social Services (VDSS) to report annually on the effectiveness of low-income energy assistance programs in meeting the needs of low-income Virginians. The requirements for the report and the report's content can be found in § 63.2-805.C.5. of the *Code*.

This report contains data from the VDSS Energy Assistance Program database as well as data compiled in collaboration with the Department for the Aging, the Department of Housing and Community Development, Dominion Virginia Power and American Electric Power. The VDSS appreciates the contributions made to the report by all persons and organizations.

# Report on the Effectiveness of Low-Income Energy Assistance Programs

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# **Report on the Effectiveness of Low-Income Energy Assistance Programs OCTOBER 1, 2005**

## **EXECUTIVE SUMMARY**

The annual report on the effectiveness of energy assistance programs in the Commonwealth evaluates the extent to which these programs meet the needs of low income Virginians and assesses the adequacy of the services provided to recipient households. The report also addresses whether a duplication of services exists among programs designed to serve these households. Energy assistance services including heating and cooling subsidies, crisis intervention and weatherization are available through a number of programs administered by the Virginia Departments of Social Services, Aging, and Housing and Community Development, and Virginia's major utilities. The report concludes that there is little duplication across programs, that the benefits are distributed to the poorest and most vulnerable households in the Commonwealth, and that additional resources are necessary to accommodate the dramatic increases in energy costs and the rise in poverty within Virginia.

In the past year, drastic increases in home energy costs have created additional hardships for many low income, vulnerable citizens in the Commonwealth. The average family income among households served by the energy assistance programs is less than \$10,000, well below the federal poverty line. These poor families have little room in their budgets to absorb even modest increases in energy costs, making the need for energy assistance services even more critical than previous years.

During state fiscal year (SFY) 2005, energy assistance programs in Virginia provided services to 159,824 households, representing an increase of 5,326 households from SFY 2004. Total spending across programs during SFY 2005 was \$42,617,248 compared to \$36,040,008 the previous year. While the number of households served each year by energy assistance programs continues to increase, data show these subsidies offer a benefit that provides less than 25 percent of a recipient household's energy needs. With relatively static program funding and continuing increases in home energy costs, energy assistance subsidies are likely to provide less assistance each year, leaving many vulnerable Virginians continuing to struggle with their home energy needs and other basic necessities. Included in this report are statistics which highlight the difficult choices these households are forced to make, some of which jeopardize the health, safety and well being of individual household members. Without additional funds, many of these programs may need to further restrict eligibility and consequently the number enrolled in order to ensure that the benefit maintains value in the energy marketplace.

According to the latest current population survey and the U S Department of Health and Human Services, there are over 700,000 families living at or below 150 percent of the federal defined poverty guidelines in Virginia. Over 350,000 of these households have incomes at or below 130 percent of poverty, meaning they are income eligible for most if not all of Virginia's energy assistance programs. In an effort to increase program awareness and participation,

various outreach and enrollment strategies are pursued each year; however, limited funding for energy assistance programs in Virginia make attempts to increase program participation a tenuous initiative at best.

An overview of major energy assistance programs offered by state agencies and utilities and analysis of households served, expenditures, and case denial data are included in the overview of programs. Additionally, the results of surveys of both energy assistance program participants and low-income Virginians that focused on benefit adequacy, program utilization and energy insecurity are included. Analysis of benefit adequacy based on increases in home energy costs and decreases in recipient household purchasing power and the extent to which benefits actually subsidize total energy costs as well as a discussion on recipient household's energy burden is included.

The number of recipient households continues to increase each year, as do the number of potentially income eligible households. Data from the low-income survey, the census and energy assistance programs indicate that less than half of eligible households are receiving assistance. This is alarming given that even recipient households are forced to make difficult choices which can even further compromise health and safety. The need for energy assistance programs in Virginia continues to exist; these programs are part of a safety net that while not perfect clearly make a significant difference in the lives of many low income vulnerable Virginians.

# **Report on the Effectiveness of Low-Income Energy Assistance Programs**

## **Study Mandate**

Section 63.2-805.C.5. of the *Code of Virginia* provides:

*"5. Report annually to the Governor and General Assembly on or before October 1 of each year on the effectiveness of low-income energy assistance programs in meeting the needs of low-income Virginians. In preparing the annual report, the Department shall:*

*a. Conduct a survey biennially beginning in 2002 that shall collect information regarding the extent to which the Commonwealth's efforts in assisting low-income Virginians are adequate and are not duplicative of similar services provided by utility services providers, charitable organizations and local governments;*

*b. Obtain information on energy programs in other states; and*

*c. Obtain necessary information from the Department of Housing and Community Development, the Department of Mines, Minerals and Energy, and other agencies of the Commonwealth, as well as any nonstate programs that elect to participate in the Home Energy Assistance Program, to complete the biennial survey and to compile the required annual report. The Department of Housing and Community Development, the Department of Mines, Minerals and Energy, and other agencies of the Commonwealth, as well as any nonstate programs that elect to participate in the Home Energy Assistance Program, shall provide the necessary information to the Department. The Department's annual reporting requirement shall cease October 1, 2007."*

(See Appendix I for § 63.2-805)

## **Background**

The 1999 General Assembly established the Legislative Transition Task Force through the Virginia Electric Utility Restructuring Act, Chapter 23 of Title 56 of the *Code of Virginia*. The Task Force was formed to work collaboratively with the State Corporation Commission for the phase-in of retail energy competition within the Commonwealth. A Consumer Advisory Board was also created to assist the Legislative Transition Task Force in fulfilling its charge.

A recommendation of the Consumer Advisory Board was to study all aspects of low-income household energy assistance programs in the Commonwealth. This recommendation led to §63.1-339 of the *Code of Virginia*, which requires the Virginia Department of Social Services (VDSS) to prepare an annual report for the Governor and General Assembly on the effectiveness of low-income energy assistance programs in meeting the needs of low-income Virginians.

The 2002 General Assembly amended §63.1-339 of the *Code of Virginia* with the passage of House Bill 747 and created the Home Energy Assistance Program (HEAP). The amendment requires VDSS to conduct a biennial survey to collect data to determine the extent to which the Commonwealth's efforts in assisting low-income households are adequate and not duplicative of similar services provided by utility services providers, charitable organizations and

local government; obtain information on energy programs in other states; and obtain necessary information from other state agencies, as well as any non-state programs, that elect to participate in HEAP. Title 63.1 of the *Code of Virginia* was recodified effective October 1, 2002, and §63.1-339 is now §63.2-805.

In an effort to further analyze program effectiveness and benefit adequacy as well as measure unmet need, the VDSS is currently in the process of conducting the second biennial survey. Results, findings and analysis from the aforementioned survey will be included in the SFY 2006 report. The following annual report assesses the adequacy of low-income energy assistance programs in targeting and serving low-income households. The report also provides discussion on increases in home energy costs, benefit adequacy and decreases in benefit subsidy purchasing power as well as information on the difficult choices facing low income Virginians.

## Overview of Low-Income Energy Assistance Programs

Virginia’s low-income energy assistance programs are available through a myriad of public and private organizations. The largest programs are offered by the VDSS, which through the Low Income Home Energy Assistance Program (LIHEAP) block grant, receives an annual federal appropriation of approximately \$36 million to provide heating and cooling assistance to low-income households. The annual block grant is often supplemented with the release of LIHEAP contingency funds. Other energy assistance programs are funded by various sources and provide assistance on a smaller scale. For example, the Weatherization Assistance Program is funded by multiple state and federal sources, while EnergyShare, Fan Care and Neighbor-to-Neighbor are utility-funded. Programs operated by the Commonwealth, the Energy Assistance Program (EAP) and Weatherization, provide statewide assistance. Programs sponsored by utility companies provide assistance in their service areas. The following chart outlines the major energy programs and includes the application period, service area, types of services offered, and the target group of each program.

<b>Program</b>	<b>Application Period</b>	<b>Service Area</b>	<b>Assistance Provided</b>	<b>Target Group</b>
EAP – Fuel	Second Tuesday in October to Second Friday in November	Statewide	Pay for a delivery of fuel or past fuel bill or payment of utility bill for heating	All income eligible households
EAP – Crisis	November 1 to March 15	Statewide	Averts no heat situations through purchase or repair of heating equipment	All income eligible households with an energy crisis
EAP – Crisis Fuel	January 1 to March 15	Statewide	Averts no heat situations by securing a fuel delivery or maintaining heat utility	All income eligible households with an energy crisis



<b>Program</b>	<b>Application Period</b>	<b>Service Area</b>	<b>Assistance Provided</b>	<b>Target Group</b>
EAP – Weatherization	Year round	Statewide	Air infiltration measures	All income eligible households
Neighbor to Neighbor	January 1 to February 28	33 localities in American Electric Power’s (AEP) service area	Pay past due AEP electric bill once EAP benefits are exhausted	AEP customers only
EnergyShare	December 15 to May 31	67 localities in Dominion Virginia Power’s (DVP) service area	Secure a fuel delivery or maintain heat utility	Elderly, ill unemployed, in crisis
Weatherization	Year round	Statewide	Air infiltration measures	All income eligible households
EAP – Cooling	June 15 to August 15	Statewide	Purchase and repair fans or central air conditioning units, payment of electric bill or security deposit	Income eligible households with at least one vulnerable household member
Fan Care	June through September	Statewide	Purchase fans	Age 60 and over
Summer Cooling	June through September	Statewide	Buy or repair conditioners and pay electric bill	Age 60 and over

All low-income energy programs base eligibility on income and energy needs. Additionally, some programs have further eligibility criteria such as a vulnerable household member requirement. In most programs, energy assistance benefits are paid directly to contracted providers who receive authorization to provide assistance to households in their service area.

The following is a summary of services, utilization, expenditures and denial reasons indicative of unmet needs of customers for the public and private sector programs for SFY 2005. Data collection differs among programs as indicated by not applicable (N/A) in columns when data are not available.

**EAP - Fuel Assistance** provides assistance purchasing home heating fuel or payment of home heating utility. All eligible households are assigned a benefit amount based on individual household conditions such as primary energy type, climate zone, income, energy burden, vulnerability conditions present and household size. The average household benefit amount for SFY 2005 was \$220. The maximum benefit was \$370.

Total Family units Served	Total Cost	Multiple Program Needs		Reason Cases Denied		
		# of Cases	Funds Needed	Excess Income	Benefit too Small	Out of Funds
99,520	\$21,869,582	N/A	N/A	6,416	N/A	N/A

**EAP - Crisis Assistance** averts or meets a household's emergency heating need. Assistance includes: one-time heat security deposit; portable space heater for temporary use; buying home heating fuel; paying heat utility bill; paying for emergency shelter; and purchasing and installing or repairing heating equipment. The average benefit amount for FFY 2005 was \$338 per household. The maximum allowable benefit amount was \$2,138.

Total Family units Served	Total Cost	Multiple Program Needs		Reason Cases Denied		
		# of Cases	Funds Needed	Excess Income	Benefit too Small	Out of Funds
15,799	\$5,339,703	1968	\$444,434	968	829	None

**EAP - Weatherization Assistance** applies energy efficiency measures to the housing structure. The Department of Housing and Community Development (DHCD) administers this component with 15 percent of the LIHEAP block grant. The average benefit was \$2,852

Total Family units Served	Total Cost	Multiple Program Needs		Reason Cases Denied		
		# of Cases	Funds Needed	Excess Income	Benefit too Small	Out of Funds
1,381	\$3,938,180	N/A	N/A	N/A	N/A	N/A

**Neighbor-To-Neighbor Program** provides assistance with payment of winter electric bills for American Electric Power (AEP) customers in 33 localities. The average household benefit was \$106. AEP matches customer donations up to a maximum of \$37,500.

Total Family units Served	Total Cost	Multiple Program Needs		Reason Cases Denied		
		# of Cases	Funds Needed	Excess Income	Benefit too Small	Out of Funds
691	\$73,362	N/A	N/A	7	None	None

**EnergyShare Program** provides assistance with heating costs for any energy type to residents in Dominion Virginia Power's (DVP) 67 locality service area. The average benefit was \$216. DVP matches customer contributions up to a maximum of \$50,000.

Total Family units Served	Total Cost	Multiple Program Needs		Reason Cases Denied		
		# of Cases	Funds Needed	Excess Income	Benefit too Small	Out of Funds
5000	\$1,078,200	N/A	N/A	None	None	132

**Weatherization Assistance Program**, regulated by the United States Department of Energy and administered by DHCD, installs cost-effective energy efficiency measures to decrease home energy consumption. The average benefit was \$2,158.

Total Family units Served	Total Cost	Multiple Program Needs		Reason Cases Denied		
		# of Cases	Funds Needed	Excess Income	Benefit too Small	Out of Funds
1,868	\$4,031,741	N/A	N/A	None	None	None

**EAP - Cooling Assistance** provides purchase or repair of cooling equipment, one time payment of cooling utility security deposit and payment for electricity to operate cooling equipment. The average benefit was \$182.

Total Family units Served	Total Cost	Multiple Program Needs		Reason Cases Denied		
		# of Cases	Funds Needed	Excess Income	Benefit too Small	Out of Funds
33,939	\$6,165,478	1,846	\$198,387	1,473	1,207	None

**Fan Care Program** purchases fans for the elderly. VDA administers this program with \$27,500 provided by Dominion Virginia Power. The average household benefit was \$31.

Total Family units Served	Total Cost	Multiple Program Needs		Reason Cases Denied		
		# of Cases	Funds Needed	Excess Income	Benefit too Small	Out of Funds
935	\$29,170	214	\$1670	12	None	None

**Summer Cooling Assistance** administered by the Virginia Department for the Aging (VDA) uses LIHEAP funds to purchase window a/c units, repair air conditioning systems and pay electric bills for households containing elderly citizens, age 60 and older, who have income at or below 150 percent of poverty. The average benefit was \$133.

Total Family units Served	Total Cost	Multiple Program Needs		Reason Cases Denied		
		# of Cases	Funds Needed	Excess Income	Benefit too Small	Out of Funds
691	\$91,832	46	7753	33	1	6

## **Analysis of Program Summary Reports**

During SFY 2005 Virginia's energy assistance programs provided over \$42 million dollars in energy subsidies to 159,824 low income households. Analysis of the program summaries indicate that six of the nine programs had an increase in the number of households assisted during SFY 2005. As a result, an additional 5,326 low-income households received assistance through one of the above summarized energy programs. Administrative data collected from four of the programs (Summer Cooling, Fan Care, EAP – Cooling and Crisis) indicates that for 4,074 recipient households, the benefits provided did not fully meet the need. Even with assistance provided, low-income households were required to provide over \$500,000 in additional funding to meet their immediate energy needs. Income in excess of 130 or 150 percent of poverty, depending on the program, resulted in the denial of 8,909 households.

In addition to the programs summarized in this report, numerous other small community and faith-based energy assistance programs operate throughout Virginia. These programs provide assistance to households in their communities, offering assistance that helps defray energy costs. The full extent of duplication of services and the provision of multiple assistance benefits remains unknown due to privacy and confidentiality restrictions on data sharing. However, the VDSS and the Virginia Department for the Aging engage in a data sharing process which enables tracking of households that may request assistance for summer cooling needs from multiple sources. Additional low-income energy assistance programs are described below.

### **Home Energy Assistance Program (HEAP)**

In anticipation of contributions from utilities, businesses and private citizens, the 2002 Virginia General Assembly established HEAP. Since submission of the last report, the program has received the second \$ 20,000 installment contribution from NiSource, Inc. NiSource is the holding company for Columbia Gas. The corporation pledged \$100,000 over a five-year period to be provided in \$20,000 annual increments. In addition to the NiSource contributions, the HEAP program has received two small donations from private citizens.

Beginning in January 2004, the Virginia state income tax form provided a check off option for contributions to HEAP. In the first year of the HEAP check off, Virginians donated nearly one thousand dollars. Through the tax check off option, donations to HEAP have increased significantly since the first year, with current contributions totaling over \$16,400. Since January 2005, \$14,591 dollars have been donated to HEAP through the tax check off initiative. The tax check off was promoted during the State Fair and the Energy Fair during the fall of 2004. Virginia will continue to promote the HEAP income tax check off in 2005.

## **Residential Energy Assistance Challenge (REACH)**

The goal of REACH is to provide consumer education to low-income families to increase energy efficiency. In October 2001, VDSS was awarded a \$1 million grant by the U.S. Department of Health and Human Services (HHS) for the REACH Option Program. Virginia was one of only six states to receive a grant and received one of the highest awards. Virginia's REACH project is designed to increase the effectiveness of the Weatherization Assistance Program by educating more than 2,800 households in energy efficiency. VDSS, in conjunction with DHCD and 14 Community Based Organizations (CBOs), have partnered to implement REACH.

The REACH program in the third and final year continues to operate under the same conditions and in the same manner as it has for the past two years with no changes to report. This is the final year for the REACH program; as such, final program summary data and analysis will be provided in next year's annual report.

## **Effectiveness and Adequacy of Energy Assistance Programs**

For the purposes of this report, the effectiveness of Virginia's energy assistance programs is measured by the percentage of eligible households served, the level to which services meet the needs of target households, the extent to which energy assistance benefits actually subsidize total energy costs and the degree to which programs are duplicative. The data used for this analysis are derived from program administrative data, census data, data from the U.S. Department of Health and Human Services LIHEAP Notebook, data from the Energy Information Administration, results of a random survey of low-income households conducted by Virginia Tech and data from the 2003 National Energy Assistance (NEA) Survey Report which includes a survey of LIHEAP recipients in Virginia.

### **Percentage of Eligible Households Served**

The demand for assistance programs exceeds available funding and service capacity. According to Virginia's Statewide Human Services Information and Referral (I & R) System annual report for SFY 2005, utility assistance and heating assistance continue to be two of the top three categories of unmet needs for citizens of the Commonwealth. These two categories represent 37 percent of total unmet needs. Rental assistance, at 47 percent, is the only unmet need to exceed utility and heating assistance. Using the LIHEAP eligibility criteria as a proxy for eligibility across all low-income energy assistance programs, it is clear that many low-income households do not receive help in meeting their energy needs. The programs outlined in this report provided benefits and services to 159,824 low-income households during the last fiscal year. These programs provide assistance to eligible households with income up to 150 percent of the federally defined poverty guidelines (Appendix II delineates these income levels by family size). According to the U.S. Census Current Population Survey (CPS) Annual Social and Economic Supplement (ASEC) and HHS, there are 740,479 LIHEAP eligible households in Virginia; with 308,814 of these households containing at least one individual 60 years of age or

older. Energy assistance programs in the Commonwealth serve fewer than 25 percent of potentially eligible households. These same percentages are representative of the findings from the Virginia Tech survey.

Summary findings from the low-income survey conducted by Virginia Tech indicate that less than one quarter (22 percent) of low-income Virginians reported having received assistance from at least one source in the last year to help pay for their heating costs. These sources include VDSS (11 percent), church (three percent) and family/friends (five percent). The following programs provided benefits or services to no more than one percent of the low-income population: EnergyShare, Metro Care, United Way, Neighbor-to-Neighbor and utility companies.

A lack of awareness about the programs clearly contributes to the relatively lower percentage of households served. As outlined in last year's annual report, Virginia has pursued various methods of outreach and enrollment strategies to increase program awareness and participation; however, due to limited program funding and significant increases in home energy costs, drastic increases in program participation would only further reduce already low, in comparison to costs, benefit subsidies.

### **Percentage of Vulnerable Households Served**

Given that the majority of LIHEAP income eligible households do not receive assistance, steps have been taken to ensure households with the lowest incomes and the highest energy costs or needs are awarded the highest benefits. The two groups of low income households identified as having the highest home energy needs are households with vulnerable individuals and households with high energy burdens. Though Virginia considers a variety of factors in the determination of benefits, priority is given to households with one or more vulnerable members. These individuals include low-income seniors, disabled individuals and children under the age of six. The largest of the three EAP programs, Fuel Assistance, provides a weighted benefit for households containing at least one vulnerable individual. Additionally, due to funding limitations, the second largest program, Cooling Assistance, requires that households contain at least one vulnerable individual as a condition of eligibility.

Vulnerable individuals face a number of environmental factors that place them at significant risk of injury or death due to high residential energy costs. Although many low income households are forced to suffer without air conditioning in the summer or heat during the winter, the effects of energy insecurity can be particularly harmful to children and seniors. Of additional concern are the choices these individuals and families are often forced to make while trying to maintain stable safe temperatures in their homes.

Figure 1 represents the proportion of Commonwealth LIHEAP Fuel Assistance recipients who reported one or more vulnerable household member in SFY 2005. The Fuel Assistance program represents two-thirds of all households served by energy assistance programs included in this report. Additionally, since the Cooling Assistance program requires that households contain at least one vulnerable individual, all 33,939 cooling recipient households include vulnerable household members.

**Figure 1: Households Served Containing Vulnerable individuals**

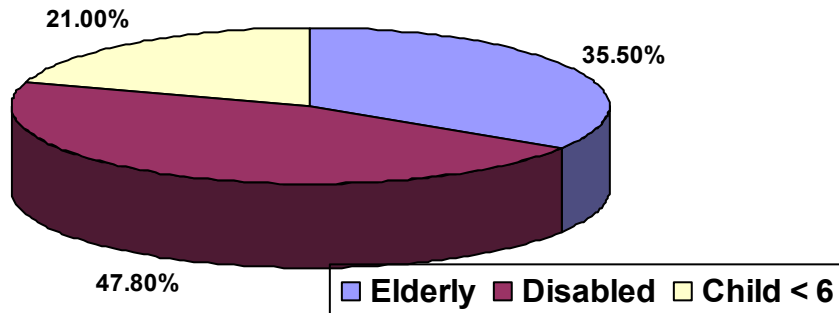


Figure 1 shows the proportion of total fuel assistance households served that included at least one vulnerable household member: Household with elderly (Age 60 or older), 35.5 percent; Household with disabled, 47.8 percent; Household with young child (under age 6) 21 percent. Note: Individuals can be included in more than one vulnerability category. This data is derived from EAP program administrative data for the winter season of 2004-2005.

### **Extent to which Benefits Meet Household Need**

While Virginia's energy assistance programs provide support to low-income households, studies show that the need for energy assistance far exceeds the capacity of current funding. According to the low-income survey conducted by Virginia Tech, among those participating in the fuel component of EAP, 33 percent say their benefit covered one to 25 percent of their heating bill, while 24 percent say it covered 36 to 50 percent of their bill. Only 13 percent of recipients indicated that their benefit covered the entire bill. The survey reported similar findings among cooling assistance recipients. Thirty-five percent of respondents indicated that cooling assistance met one to 25 percent of their needs, and 24 percent say it covered between 26 and 50 percent of their needs.

Recently, drastic increases in home energy costs have made energy affordability even more elusive for low income Virginians. According to an energy costs survey completed in November 2004, from 2003 to 2004 energy costs in Virginia increased by 48 percent for liquid propane gas, 39 percent for oil, 38 percent for natural gas and 23 percent for kerosene, with electricity costs remaining relatively stable. Relatively static federal funding combined with increases in requests for assistance and increases in energy costs have led to a significant drop in the purchasing power of energy subsidies. The National Energy Assistance Directors Association (NEADA) recently released study findings that found between the winter seasons of 2001-02 and 2004-05 the share of heating expenditures covered by the average LIHEAP grant was reduced by between 23 and 33 percent depending on a household's energy type. Additionally, the study concludes the drop in purchasing power occurred even though federal appropriations for LIHEAP increased by 21 percent but the average benefit subsidy increased by only 1 percent.

The average benefit subsidy for EAP fuel and cooling components in SFY 2005 was \$220 and \$182 respectively. In an attempt to offset increases in energy costs and to stabilize purchasing power, the Fuel Assistance component allocation was increased by 3.5 million dollars during SFY 2005. As a result, the average fuel assistance benefit increased from \$190 in SFY 2004 to \$220 in SFY 2005. As a result, less money was available for the Cooling Assistance program during the summer of 2005 causing benefit level caps for payment of electric bills to be lowered from \$200 to \$80 during the last few weeks of the program. Even with this increase in the Fuel Assistance allocation, subsidies cover approximately 25 percent of a household's winter energy costs. The hardships encountered when experiencing continued increases in home energy costs are even more devastating when combined with drastically lower household income. In Virginia, the annual income of 62 percent of recipient households is less than \$10,000. Unfortunately, projections are grim. According to the most recent data available from the Energy Information Administration, home energy costs are expected to continue to increase. Currently home heating oil is up 22 percent from last year. At this rate, an average family will need to spend an additional \$278 to keep warm this winter. Using last year's average fuel benefit as a measure, \$220 benefit subsidies will not even cover the increase in costs from last winter to this winter.

However, even though the average benefit subsidy does not fully meet the needs of low-income households, studies show energy assistance programs significantly reduce the energy burden of recipient households. Energy burden is defined as the ratio of household energy expenditure to income. Energy burden is much higher for low-income households than for higher income households. According to HHS, the energy burden for low-income households is twice that of the average of all households and four times that of non low-income households. For the purposes of the report, severe residential energy burden is defined as energy costs exceeding 11 percent of income. According to HHS, the net effect of LIHEAP benefits is to lower recipient home heating burdens to levels closer to the levels of the average households. This is referred to as the LIHEAP burden offset.

Figure 2 shows that the benefits paid with LIHEAP reduce the energy burden of households. The percentage of households with lower energy burdens increases after LIHEAP benefits have been applied. Figure 2 shows the level of energy burden for Commonwealth recipients of LIHEAP prior to subtracting benefits from residential energy costs (pre-LIHEAP) and after subtracting benefits (post-LIHEAP), as reported by the NEA survey. As the data reveals, LIHEAP programs can have a tremendous impact on recipient households. In 2004, LIHEAP benefits reduced the proportion of households with a severe residential energy burden by seven percent.



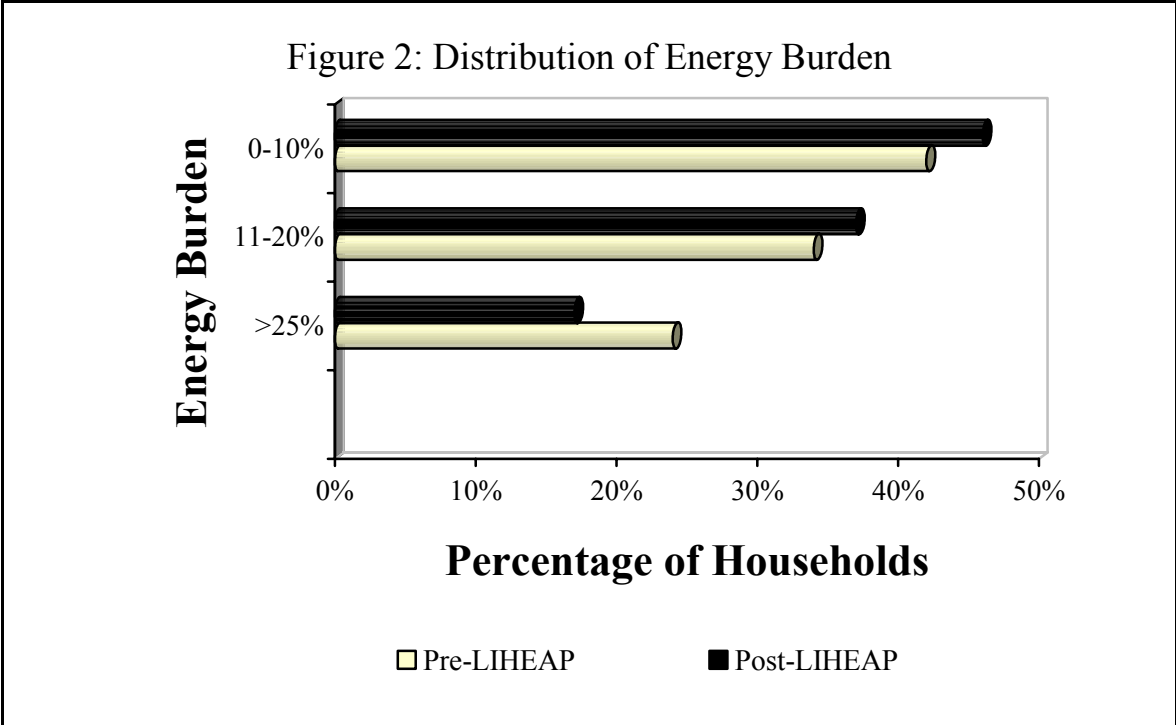


Figure 2 represents total residential energy costs, as that data is more accessible and apparent to recipient households than an expenditure breakdown by individual use. However, data available from the national Residential Energy Consumption Survey (RECS) indicates recipient households spend 35 percent of their residential expenditures on heating and seven percent on cooling. Moreover, any reduction in home heating and cooling costs leads to a direct reduction in total residential energy costs.

When evaluating the adequacy of energy assistance benefits it is important to consider that while energy benefits positively impact recipient households by reducing their energy burden, energy subsidies still only cover approximately 25 percent of a household's energy costs. As a result, low-income Virginians are still faced with significant challenges in meeting their immediate home energy needs while maintaining other basic necessities. The NEA study, which includes state-level detail for the Commonwealth of Virginia, includes a section on energy insecurity. LIHEAP recipients were asked a series of questions designed to measure energy insecurity and to examine aspects of energy affordability and experiences of households trying to meet their energy needs. What is particularly alarming are the responses to the questions posed regarding the choices low-income households are often forced to make regarding energy bills, food, and prescription medicine. Figure 3 elucidates some of the difficult decisions and allows insight into the alarming ramifications of the difficult choices facing low-income households.

**Figure 3: Difficult Choices: Experiences with Other Necessities Due to Energy Costs**

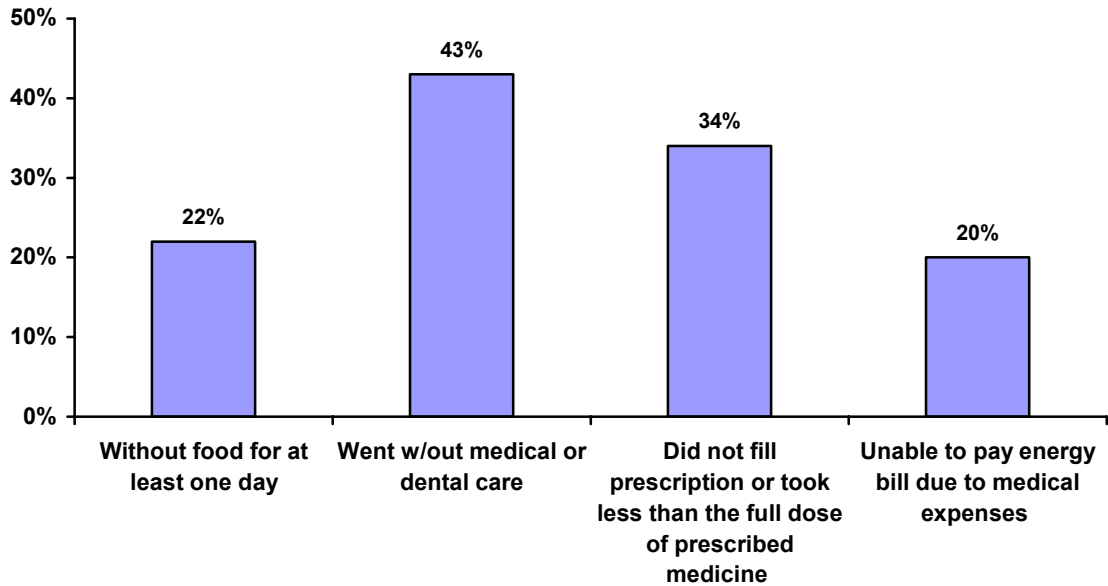


Figure 3 represents the proportion of respondents indicating someone in their household went without food, medical care or medicine in the past five years due in part to their residential energy expenses.

### **Degree to which Programs are Duplicative**

Another important component in assessing the effectiveness of energy assistance programs in the Commonwealth is the degree to which program duplication exists. In examining the major state and utility-based programs, it appears that there is little duplication of services among programs. Each program offers a discrete and complementary energy assistance benefit to low-income Virginians.

The major programs funded by the LIHEAP block grant include the EAP – Fuel Program, EAP – Crisis Program, EAP – Cooling Program, and the Weatherization Program. The three EA programs provide subsidies to offset the costs of heat and cooling or to avoid an energy crisis. The Weatherization Program serves a very different purpose, by helping households make their homes more energy efficient, thus reducing future costs for energy. The Summer Cooling Program operated by VDA provides subsidies to individuals aged 60 and over to pay electric bills or purchase/repair air conditioners. This program serves relatively few individuals, less than 700 during SFY 2005; however, it is possible that some duplication of services may exist between this program and the EAP - Cooling Program. To determine if a duplication of services exists between these two programs, the VDA is providing the VDSS with a list of households served through the Summer Cooling program to be cross checked against households served through the VDSS Cooling Assistance program.

An examination of the major utility-sponsored programs indicates the possibility that a duplication of services may be provided by the EnergyShare Program operated by Virginia Dominion Power in 67 localities and the EAP Program. The EnergyShare Program provided subsidies to approximately 4,682 households in the past fiscal year, and it is possible that those households also received energy assistance through the EAP Program. Duplication of services cannot be determined by VDSS due to privacy concerns with the release of Dominion Virginia Power customer data.

The other major utility-sponsored program is Neighbor to Neighbor sponsored by American Electric Power Company. This program served 691 individuals in 33 localities last year and is administered by VDSS, preventing a duplication of services. VDSS uses the funds from Neighbor to Neighbor to supplement the EAP Program. Funds from the Neighbor to Neighbor are only used for households when their EAP subsidy has been exhausted.

As previously stated, there is a relatively small opportunity for duplication of services to exist among the larger energy assistance programs operated throughout the Commonwealth; however, questions on the current survey will further assist in this determination.

## **Survey of Other States' Benefit Levels for Heating, Crisis and Cooling Assistance**

In compliance with the legislative mandate, information on energy assistance programs in other states was obtained for use in preparing this report. The types of services provided and the benefit levels vary among States. Benefit variance is partially due to differences in state funding levels and partially due to the types of assistance offered. All States using LIHEAP funds offer heating and crisis assistance programs and nearly half of all states offer cooling assistance programs.

With energy costs continuing to increase and federal funding for energy assistance programs remaining basically static, future recipient households are likely to receive less assistance with home energy needs as well experience a significant reduction in the purchasing power of these benefit subsidies. With thirty-eight states reporting average fuel assistance benefits for FFY 2004, the national average for a heating assistance benefit was \$303. During FFY 2004, Virginia's average heating benefit was only \$190. Based on these figures, Virginia's average heating assistance benefit is 37 percent lower than the national average.

Benefit amounts including maximum and minimum average amounts for heating, crisis and cooling assistance when available are included in Appendix IV.

## **Conclusion**

The demand for energy assistance programs for low-income households in the Commonwealth is growing while the resources remain static. Through various public and private energy assistance programs, less than half of Virginia's most vulnerable citizens receive assistance in paying their energy bills. The opportunity for duplicative services appears to be

relatively small. Given funding limitations, continued increases in home energy costs, decreases in subsidy purchasing power and increases in requests for assistance, overall needs of vulnerable Virginians are not being met. Often the recipients of benefits and services are required to supplement their energy subsidy with funds from other areas of basic human need just to avoid a shut-off of services or other emergent need. Low-income households are making the decision each day whether to pay for food, housing, heating/cooling, or medical care. While outreach and enrollment strategies aimed at increasing program awareness and participation are important, their success exacerbates the challenge of static resources in an era of increasing demand.

Funding for energy assistance programs in the Commonwealth continues to be a significant challenge. Many states supplement their LIHEAP block grant with state general funds and use tax revenues. Without an infusion of funds or a reduction in demand resulting from a drop in energy prices or poverty rates, the energy assistance programs will become less effective over time.

## **Study Mandate Code of Virginia**

§ 63.2-805. Home Energy Assistance Program; report; survey.

A. The General Assembly declares that it is the policy of this Commonwealth to support the efforts of public agencies, private utility service providers, and charitable and community groups seeking to assist low-income Virginians in meeting their residential energy needs. To this end, the Department is designated as the state agency responsible for coordinating state efforts in this regard.

B. There is hereby created in the state treasury a special nonreverting fund to be known as the Home Energy Assistance Fund, hereinafter the "Fund." Moneys in the Fund shall be used to:

1. Supplement the assistance provided through the Department's administration of the federal Low-Income Home Energy Assistance Program Block Grant; and
2. Assist the Commonwealth in maximizing the amount of federal funds available under the Low-Income Home Energy Assistance Program and the Weatherization Assistance Program by providing funds to comply with fund - matching requirements, and by means of leveraging in accordance with the rules set by the Home Energy Assistance Program.

The Fund shall be established on the books of the Comptroller. The Fund shall consist of donations and contributions to the Fund and such moneys as shall be appropriated by the General Assembly. Interest earned on money in the Fund shall remain in the Fund and be credited to it. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. Moneys in the Fund shall be used solely for the purposes set forth in this section. The State Treasurer shall make expenditures and disbursements from the Fund on warrants issued by the Comptroller upon written request signed by the Commissioner. Up to twelve percent of the Fund may be used to pay the Department's expenses in administering the Home Energy Assistance Program.

C. The Department shall establish and operate the Home Energy Assistance Program. In administering the Home Energy Assistance Program, it shall be the responsibility of the Department to:

1. Administer distributions from the Fund;
2. Lead and facilitate meetings with the Department of Housing and Community Development, the Department of Mines, Minerals and Energy, and other agencies of the Commonwealth, as well as any nonstate programs that elect to participate in the Home Energy Assistance Program, for the purpose of sharing information directed at alleviating the seasonal energy needs of low-income Virginians, including needs for weatherization assistance services;
3. Collect and analyze data regarding the amounts of energy assistance provided through the Department, categorized by fuel type in order to identify the unmet need for energy assistance in the Commonwealth;
4. Develop and maintain a statewide list of available private and governmental resources for low-income Virginians in need of energy assistance; and
5. Report annually to the Governor and the General Assembly on or before October 1 of each year on the effectiveness of low-income energy assistance programs in meeting the needs of low-income Virginians. In preparing the annual report, the Department shall:
  - a. Conduct a survey biennially beginning in 2002 that shall collect information regarding the extent to which the Commonwealth's efforts in assisting low-income Virginians are adequate and

are not duplicative of similar services provided by utility services providers, charitable organizations and local governments;

b. Obtain information on energy programs in other states; and

c. Obtain necessary information from the Department of Housing and Community Development, the Department of Mines, Minerals and Energy, and other agencies of the Commonwealth, as well as any nonstate programs that elect to participate in the Home Energy Assistance Program, to complete the biennial survey and to compile the required annual report. The Department of Housing and Community Development, the Department of Mines, Minerals and Energy, and other agencies of the Commonwealth, as well as any nonstate programs that elect to participate in the Home Energy Assistance Program, shall provide the necessary information to the Department.

The Department's annual reporting requirement shall cease October 1, 2007.

The Department is authorized to assume responsibility for administering all or any portion of any private, voluntary low-income energy assistance program upon the application of the administrator thereof, on such terms as the Department and such administrator shall agree and in accordance with applicable law and regulations. If the Department assumes administrative responsibility for administering such a voluntary program, it is authorized to receive funds collected through such voluntary program and distribute them through the Fund.

D. Local departments may, to the extent that funds are available, promote interagency cooperation at the local level by providing technical assistance, data collection and service delivery.

E. Subject to Board regulations and to the availability of state or private funds for low-income households in need of energy assistance, the Department is authorized to:

1. Receive state and private funds for such services; and

2. Disburse funds to state agencies, and vendors of energy services, to provide energy assistance programs for low-income households.

F. Actions of the Department relating to the review, allocation and awarding of benefits and grants shall be exempt from the provisions of Article 3 (§ 2.2-4018 et seq.) and Article 4 (§ 2.2-4024 et seq.) of Chapter 40 of the Administrative Process Act (§ 2.2-4000 et seq.).

G. No employee or former employee of the Department shall divulge any information acquired by him in the performance of his duties with respect to the income or assistance eligibility of any individual or household obtained in the course of administering the Home Energy Assistance Program, except in accordance with proper judicial order. The provisions of this section shall not apply to (i) acts performed or words spoken or published in the line of duty under law; (ii) inquiries and investigations to obtain information as to the implementation of this chapter by a duly constituted committee of the General Assembly, or when such inquiry or investigation is relevant to its study, provided that any such information shall be privileged; or (iii) the publication of statistics so classified as to prevent the identification of any individual or household.

## LOW INCOME HOME ENERGY ASSISTANCE PROGRAM ELIGIBILITY GUIDANCE

### ANNUAL FEDERAL POVERTY GUIDELINES\*

*For All States (Except Alaska and Hawaii) and for the District of Columbia*

Size of Family Unit	100 Percent of Poverty	<b>130 Percent of Poverty</b>	150 Percent of Poverty
1	\$9,310	<b>\$12,103</b>	\$13,965
2	\$12,490	<b>\$16,237</b>	\$18,735
3	\$15,670	<b>\$20,371</b>	\$23,505
4	\$18,850	<b>\$24,505</b>	\$28,275
5	\$22,030	<b>\$28,639</b>	\$33,045
6	\$25,210	<b>\$32,773</b>	\$37,815
7	\$28,390	<b>\$36,907</b>	\$42,585
8	\$31,570	<b>\$41,041</b>	\$47,355

Federal law requires that income criteria for use of Low Income Home Energy Assistance Program funds must not exceed 150 percent of poverty. Virginia uses 130 percent of poverty.

\*(Published in February, 2004. 130 percent used for the VDSS EAP Cooling Assistance Program summer 2004 and Fuel/Crisis Assistance Fall/Winter 2004-05)

**LIHEAP INCOME ELIGIBILITY ESTIMATES<sup>1</sup>**  
**FOR VIRGINIA**  
**Federal Fiscal year (FFY) 2002**

Estimates of Federal and State LIHEAP Eligible Household  
 by Vulnerable Group, FFY 2002

<b>Vulnerable Group</b>	<b>Number of LIHEAP Eligible Households (Federal Maximum Standard)<sup>2</sup></b>	<b>Number of LIHEAP Eligible Households (State Maximum Standard)</b>
All	740,479	357,894
Elderly	308,814	145,174
Disabled	215,196	126,567
Young Child	133,874	67,394

<sup>1</sup> State level estimates and the number of eligible households were developed using the CPS ASEC. To estimate the number of LIHEAP eligible households for FFY 2002 averages of 2001, 2002, and 2003 CPS ASEC were used. Estimates are subject to sampling error.

<sup>2</sup> The greater of 60 percent of state median income or 150 percent of poverty guidelines.

Data Source: US Department of Health and Human Services, Administration for Children and Families, LIHEAP Home Energy Notebook FFY 2003



**STATE SURVEY: Benefit Levels for Heating and Crisis Assistance and Cooling Assistance (when offered) FFY 2004**

State	Heat min	Heat mean	Heat max	Crisis max	Cool min	Cool mean	Cool max	Comment
Alabama	\$70		\$220	\$420	\$70		\$220	
Alaska	\$170	\$759	\$2,975	\$2,975				Crisis assistance benefits are expedited heating benefits. The benefit amounts are computed in the same manner as heating benefits.
Arizona	\$25	\$150	\$400	\$300	\$25		\$400	
Arkansas	\$41	\$102	\$251	\$300			\$300	Crisis can be used for cooling.
California	\$93	\$199	\$409	\$44				
Colorado	\$10	\$32	\$700	\$1,500				
Connecticut	\$200		\$535	\$200				Safety net emergency has maximum funding of \$1,000 for deliverable fuels. Benefit levels for vulnerable households increase by \$100.
Delaware	\$150		\$500	\$500	\$150		\$500	A local agency can decide to use an additional \$300 for paying off arrears for a total crisis payment of \$800. For Cooling - Flat benefit amount unless requesting an air conditioner
District of Columbia	\$21	\$330	\$1,038	\$400	\$21	\$330	\$1,038	One-time benefit can be used for heating or cooling
Florida	\$50		\$150	\$600	\$50		\$150	Crisis: client can receive \$300 for heating and \$300 for cooling for a year-round benefit of \$600
Georgia		\$196	\$200	\$200	\$174	\$216	\$220	
Hawaii	\$144	\$271	\$432	\$100				
Idaho	\$89	\$252	\$700	\$700				
Illinois	\$100	\$400	\$1,045	\$791				
Indiana	\$100	\$250	\$300	\$200			\$250	For Cooling - 2 box fans; if at-risk, 2 box fans and \$50 toward bill; at-risk and medical problems, add up to \$250 for an air conditioner
Iowa		\$314		\$350				\$300 maximum for service reconnection and/or emergency fuel delivery. Furnace repair/replacement, not in conjunction with weatherization, allows a maximum of \$1,500. Crisis cooling has a maximum of \$350.
Kansas	\$44		\$713	\$713	\$44		\$713	Clients can split one-time heating benefit between heating and electric vendors and apply part to summer bill. No separate cooling program but clients may split a one-time benefit between gas and electric vendors, can apply to summer bill.
Kentucky	\$70		\$196	\$125				Crisis max: \$125 for gas; \$100 for electricity; 200 gallons fuel oil, kerosene or propane; 2 tons of coal; 2 cords of wood
Louisiana	\$50		\$360	\$500	\$250		\$360	Heating benefits: add \$15 for each child 6 or younger, elderly 60 or older, or disabled. Heating, cooling and crisis are operated as one year-round program.

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State	Heat min	Heat mean	Heat max	Crisis max	Cool min	Cool mean	Cool max	Comment
Maine	\$1	\$440	\$575	\$200				Crisis: \$200 for fuel deliveries, up to \$2,500 for furnace repair or replacement.
Maryland	\$165	\$314	\$600	\$600				Crisis: varies by fuel type; amount necessary to resolve crisis but can't exceed max regular grant.
Massachusetts	\$400	\$464	\$590	\$665				Add \$75 for those whose yearly fuel costs exceed the state average for fuel type
Michigan		\$210	\$935	\$700				FY 2004 - Crisis max: \$350 natural gas or wood; \$650 deliverable fuels; \$700 electric heat; \$350 for electricity to operate heating system
Minnesota	\$100		\$1,200	\$300				
Mississippi								No minimum or maximum benefit levels are set for heating or crisis. The level of cash payments to eligible households depends on the applicant's bill amount, the result of case management analysis and degree of participation in the established case plan. For Cooling - The benefit level depends on the applicant's bill amount, the result of case management analysis and degree of participation in the established case plan.
Missouri		\$192	\$292	\$900				Crisis benefits: \$600 maximum for heating; \$300 maximum for cooling. Average heating benefits by fuel type: natural gas \$195; electric \$184; tank propane \$183; wood \$125; fuel oil \$198; and cylinder propane \$105.
Montana	\$68	\$465	\$1,855	\$250				Crisis max is \$250 or whatever it takes to resolve the crisis
Nebraska	\$100		\$622	\$500	\$68		\$198	Benefit levels by fuel type: gas \$100 min, \$360 max; fuel oil \$168 min, \$600 max; propane \$174 min, \$622 max; wood \$136 min, \$482 max. Multi housing, all fuel types: \$16 min, \$164 max. Crisis: may increase if funds are available. For Cooling - Multi-family: \$34 min, \$99 max
Nevada	\$120		\$700	\$700	\$120		\$700	The maximum for households within 75 percent of poverty is \$700, for 100percent of poverty the maximum is \$550, for 125 percent of poverty the maximum is \$400, and for 150percent of poverty the maximum is \$250. Crisis has same benefit matrix as heating, payment is expedited. Benefits may be distributed entirely to the heating provider, or entirely to the electric (cooling) provider, or split between the heating and cooling providers. For Cooling - Eligible household may request to have their benefit a) distributed entirely to their heating provider, or b) distributed entirely to their electric (cooling) provider, or c) split between heating and cooling provider. The maximum for households within 75percent of poverty is \$700, for 100percent of poverty \$550, for 125percent of poverty \$400, and for 150percent of poverty the maximum is \$250. Residents in master metered complexes or other properties where all utilities are in the landlord's name will receive a benefit of \$350.
New Hampshire	\$120	\$484	\$975	\$975				Crisis: fast track benefit, same amount as regular benefit.
New Jersey	\$51	\$305	\$1,138	\$200			\$100	For Cooling - Flat benefit of \$100 on top of heating assistance for medically necessary cooling.

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State	Heat min	Heat mean	Heat max	Crisis max	Cool min	Cool mean	Cool max	Comment
New Mexico	\$40	\$127	\$240	\$240	\$40	\$127	\$240	No regular cooling program, one-time benefit payment can be used for summer electricity
New York	\$40	\$150	\$400	\$400				Crisis: \$100 - \$400 depending on fuel type. Heating equipment repair or replacement has a maximum benefit of \$2,500. Temporary shelter may not exceed \$500. Propane installation or reconnection may not exceed \$500.
North Carolina	\$25	\$82	\$170	\$300			\$300	Cooling benefits are part of year-round crisis program.
North Dakota		\$578						Heating and crisis have no max benefit. Client must make co-payment based on income in relation to heating costs, those with lowest income and highest costs have lowest co-payment. A cost/consumption table is based on average usage or consumption for various sizes of living units, types of buildings and fuel types that have been multiplied times the estimated or projected actual fuel cost. Min, max and average benefits are determined at the end of the year.
Ohio	\$53	\$184	\$424	\$175			\$300	Crisis: \$175 max for utility customer, \$250 max for delivered fuel. For cooling crisis, eligible household must present evidence of medical certification as to need for a room air conditioning unit. Cooling benefits are part of year-round crisis program.
Oklahoma	\$41		\$220				\$165	Crisis: \$100 max for 1 person household; \$165 max for 2 or more person household. For Cooling - \$110 max for 1 person household; \$165 max for 2 or more person household
Oregon	\$50	\$260	\$330	\$500				Crisis: \$1,800 maximum for heat system repair
Pennsylvania	\$50	\$239		\$300				
Rhode Island	\$100	\$375	\$750	\$500				
South Carolina	\$110		\$300	\$500	\$110		\$300	Additions to heating benefit: \$20 for households with six or more members; \$20 for household with an energy burden (20percent or more of income is spent on energy); \$50 for seniors and disabled.
South Dakota	\$235	\$506	\$865	\$865				Crisis: heating system repair or replacement has no max.
Tennessee	\$200		\$350	\$350	\$100		\$325	Households can receive a cooling benefit and either a regular heating or crisis heating benefit for a maximum of \$675.
Texas		\$253	\$1,000	\$1,000		\$717	\$1,000	Heating and cooling are combined. \$3,000 maximum for heating or cooling system repair/replace/retrofit. Heating and cooling are combined. \$3,000 maximum for heating or cooling system repair/replace/retrofit.
Utah	\$75	\$295	\$450	\$500				Crisis max: case by case basis, could be more than \$500. Households with young children, disabled, and/or elderly receive an additional amount.
Vermont	\$5	\$663						Crisis: typical payment necessary for 125 gals. of liquid fuel, 1 ton of coal, or 1 cord of wood, plus applicable special trip charges.
Virginia		\$190	\$283	\$1,700		\$186		Crisis: can receive multiple types of assistance.

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State	Heat min	Heat mean	Heat max	Crisis max	Cool min	Cool mean	Cool max	Comment
Washington	\$25	\$376	\$750					Crisis has a \$1,500 to \$2,500 maximum for Heating Systems Repair or Replacement.
West Virginia	\$80	\$210	\$500	\$500				Maximum for heating includes crisis, for example, if a household receives a \$200 heating benefit, they are eligible for a \$300 crisis benefit.
Wisconsin	\$10	\$260	\$1,200					Crisis: no maximum is set by the state, local providers determine the amount of the crisis assistance benefit based on the minimum necessary to alleviate the crisis situation. \$105 is average benefit for electricity.
Wyoming	\$82	\$328	\$615	\$400				

Source: LIHEAP Clearing House: FFY 2004 LIHEAP State Plans and a survey of LIHEAP directors