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To: Commissioner Patricia Wilson, Kentucky Department of Community Bases Services
Sandra Daniels and Harold Turner, Kentucky Attorney General's Office
From: Cathy Hinko
Re: State policies that syphon money from areas with metered utilities
Date: 2 November 2011

Summary:

The federal Low-Income Home Energy Assistance Program is designed to serve low-income households without bias. Funds are allocated to the state and apportioned according to the number of low-income households (as defined in the federal law) in a jurisdiction within the state. There are two components to LIHEAP, the "subsidy" portion and the "crisis" portion.

Much of the policy making on distribution is left to state officials in the Cabinet for Health and Human Services (Cabinet). An analysis of those policies for the crisis component shows a systemic bias to syphon off funds for urban areas so that extra funds can be redistributed to non-urban areas, therefore undermining the distribution mandated by the federal law. This bias masks itself as policies applied to households in an area with metered utilities and policies applied to areas where heating is through the purchase of bulk energy. The inequity is made exponential by apportioning part of the crisis funds based on the prior year's expenditure.

MHC advocates for three changes in policy at the state level which will allow low-income households in Jefferson County to fully benefit from energy assistance as intended by the federal program. The three changes are to: extend the program cut-off date for metered areas that actually allow the delay between consumption and billing for the heating season; retain the $400 cap for households in metered areas; and allow any unspent funds from the heating season to be held by the jurisdiction until the cooling season and/or be used for energy efficient modifications to residences.

Explanation of the Problem:

The list of state decisions posing barriers to use in areas with metered are multiple. The italicized references listed are in the *Low Income Home Energy Assistance Program Manual* for 2010-2011.

Issue: Bulk energy purchasers not only get prior use, but can purchase 5 days after closing date of the program and get future use, with vouchers by vendors honored up to 60 days.

Households on metered are reimbursed (after use) only and the cut-off for submitting billing is prior to the billing for the full heating season.

> Example: When the cut-off date for LIHEAP is March 31, a bulk user can get a voucher on March 31 which is redeemable to purchase for 5 days after March 31. The vendor has up to the 60 day expiration date to redeem. The bulk purchaser then has future use of the fuel.
>
> A household in a metered area must wait as long as 28 days for a bill which covers the prior use. The heating season billing may not appear until April 16 or after use, yet the cut-off for submitting bills is March 31. *Part B Section III: Crisis, D.*

Issue: Bulk purchasers do not submit independent proof that they are within four days of running out our energy source, but metered households are denied not only if they do not submit proof of a delinquency, but it must be (in the LG&E area) a "brown bill". Good customers who do have a delinquency do not get 'brown bills' automatically. Not only does the good customer get denied assistance, the other metered customers are encouraged to have a poor payment history.

Issue: The basis for the amount of assistance given to bulk purchasers is determined by the cost per unit, but for households with meters, the amount is arbitrary and a proposal to lessen benefits to households in metered areas is proposed with no counter proposal for bulk purchasers. *Part B Section 3: Crisis, F.*

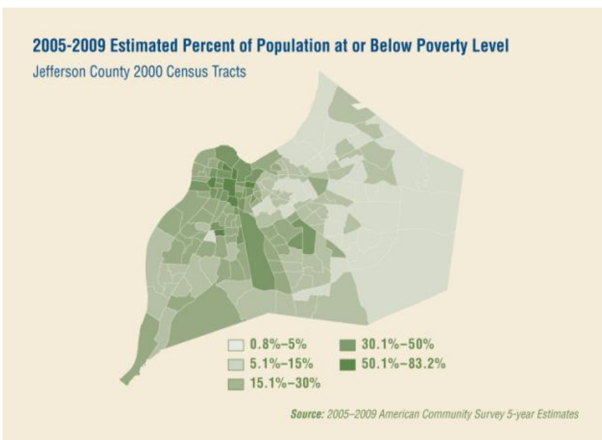
> Example: Bulk purchasers get whatever amount it costs on any given day to get 200 gallons of propane, with current estimates being about $600, but the metered households get a flat rate and that is proposed to be lowered to $250 from $400 although rates for metered energy have risen in LG&E and KY service areas. No diminution of benefits to bulk energy purchasers is proposed. *Part B Section 3: Crisis, H*.

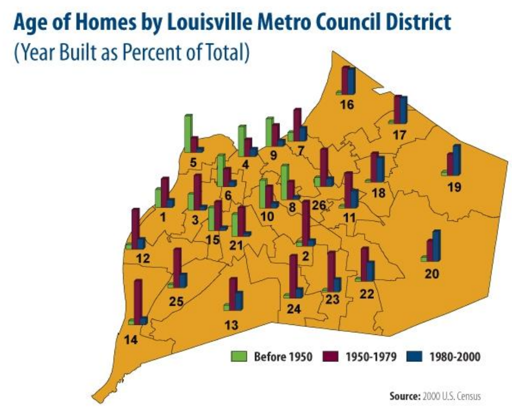
Issue: These policies have led to jurisdictions where there are metered utilities being unable to spend the assistance. Yet, instead of studying impediments to distribution, on the contrary, the state reinforces punishment of areas with metered utilities by factoring the history of using funds into new distribution formulas.

Issue: The policies that cause metered areas returning funds increases inequities to low-income persons in metered areas. "Fifty percent of the crisis funds will be allocated … based upon each agency's percentage of the statewide eligible population at or below **130%** of the poverty level and ***the remaining 50%*** (sic) ***will be based upon the Agency's crisis expenditures last year.*** " (emphasis added) *Part A Section III -Allocation of Funds*. The history of LIHEAP distribution will show many years in which metered areas returned crisis money. Instead of studying the policies that led to such a consistent underutilization, the Cabinet has further punished the low-income people in metered areas by systematically diminishing the amount awarded for the crisis component of LIHEAP.

Issue: Despite federal permission to use 15% of the funds for energy efficiency improvements, the state has refused to allocate a significant portion of the funds for energy efficiency with only 5% of crisis funds allowed to be used in such a fashion. MHC has studied the impact of energy costs on stable housing and has consistently advocated for energy efficient improvement to residences as the most effective way to make energy costs affordable for low-income households.

Most of the homes in Louisville, approximately 240,000, were built before the 1980s when insulation became a requirement in the local building code. About 75,000 of these were built before 1950 and may still have original single pane windows, lighting, and older appliances. Another 165,000 were built before 1979 and the requirement of insulation.





As can be seen in the maps above, the location of older homes coincides with the location of poverty in Louisville.

Proposed Solutions:

Extend the cut-off date for metered areas that actually allow the delay between consumption and billing for the heating season. In metered areas, the cut-off date should be April 30. This would still make the final payments end before the expiration of the 60 day vouchers for purchasing bulk fuel which can last until May 31. All accounting will be completed within the requested time periods.

Retain the $400 cap for households in metered area. Lessening the cap would cause great hardship for households as well as increase disparity between low-income households in metered areas and those in non-metered areas.

Allow any unspent funds from the heating season to be held by the jurisdiction until the cooling season and/or be used for energy efficient modifications to residences.

The three years of federal funding for weatherization has resulted in hundreds of households with affordable energy bills. That funding is ending and it would be prudent policy to retain the weatherization infrastructure by allowing jurisdictions to use up to 15% of crisis funds for weatherization. Additionally, there has been a verified increase in high degree days in the cooling season. In Louisville, many seniors in low-income areas are afraid to leave windows open in the summer. Having crisis money for the cooling season makes sense.

Distribute crisis component to metered areas based on full usage of prior years.
When confronted with several years of returned funds by metered jurisdictions, the Cabinet's response was not to understand what failure in policy took place, but instead to punish low-income households in the metered jurisdictions by making future distributions based on usage. Crisis fund formulas are based 50% of need and 50% on use of funds in the prior years. Households in metered areas have borne the brunt of failed polices by the Cabinet for too long. All funds should be distributed by need. With the changes listed above, jurisdictions in metered areas will be able to fully use funds distributed to the jurisdiction.