

Vermont Legislative Joint Fiscal Office

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ISSUE BRIEF

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LIHEAP – Low Income Home Energy Assistance Program

The State of Vermont receives annual payments from the Federal Government to assist low income citizens with their heating bills. Over the course of the past 7 years the federal payments, including both the basic block grant and additional contingent payments have been as follows:

Winter of:	Block Grant	Contingency	Weatherization	General Fd	Total	Percent Heating Covered
2005-06	11,046,117	598,593	3,500,000	6,101,407	21,246,117	62%
2004-05	11,046,117	2,704,939	1,000,000		14,751,056	57%
2003-04	10,478,244	331,848			11,410,032	59%
2002-03	10,471,320	2,128,885			12,600,805	66%
2001-02	9,945,667				9,945,667	75%
2000-01	8,161,371	4,371,349			13,132,720	69%
1999-00	6,377,075	3,850,933			10,288,008	55%
1998-99	6,374,976	474,893			6,849,869	61%
1997-98	5,797,964				5,797,964	53%
1996-97	5,797,476	1,083,605			6,881,081	57%

This heating season and last heating season posed some unusual challenges due to the high cost of fuel. Each year the average LIHEAP benefit is calculated based upon the amount of money that is anticipated to be received from the federal government. An estimate is then made of how much of the average household's heating bill would be covered by the average benefit. This calculation is based upon the cost of heating oil and the heating degree days for each month of the heating season, October through March. The percent of the cost that is covered by the benefit varies from year to year but over the course of the past ten years has been 62%. In order to maintain a benefit that would cover a reasonable portion of the average household's heating bill there has been an addition of state funds to the program this season as well as last season. Last heating season was the first year that the Legislature added state funds, amounting to \$1,000,000. This current heating season, due to a collaborative agreement between the Administration and the Legislature, \$7,000,000 state funds were added. Additionally, \$3,200,000 state funds were set aside in case anticipated federal contingent funds are not received. To date, Vermont has received \$598,593 federal contingent funds that can be used for benefits.

If oil prices continue to be relatively high next heating season the State, in all likelihood, will have to appropriate additional funds to the LIHEAP program in order to maintain the purchasing power of the average benefit. We appear to be in a trend where state funds are needed to supplement the federal funds. The challenge is finding the source of state funds.

For two seasons the Home Weatherization Trust Fund has been used as a source for funds. The projected unobligated cash balance at the end of FY 2007 is \$1,125,361. This is an early projection, based on anticipated revenues and cash expenditures. Other potential sources for funds to support the LIHEAP program will have to be analyzed in order to secure the funds necessary to maintain the LIHEAP benefit.