Fact Sheet

Need for Low-Income Heating Assistance Continues Despite Recent Drop in Some Home Heating Costs

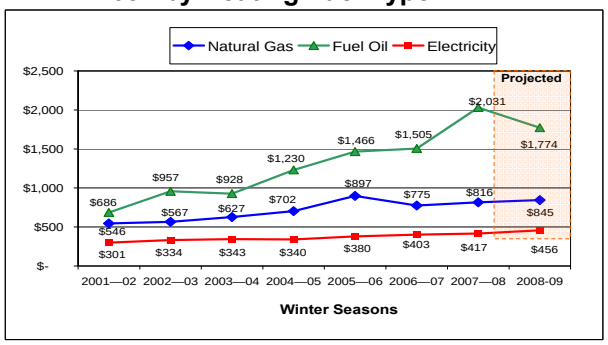
Home heating costs will show a modest decline this winter, especially for those using fuel oil. But low-income households will continue to struggle to pay for heat because energy costs have increased faster than purchasing power. Despite recent increases in Low-Income Home Energy Assistance Program (LIHEAP) funding, heating assistance remains inadequate. Since winter 2001–02, home heating expenditures have gone up 80 percent, but the average LIHEAP grant is only 3 percent higher.

Background

Since the mid-1990s, home heating costs have been increasing as a result of an overall rise in energy costs. Initial projections of winter 2008–09 heating costs, however, indicate that heating expenses will be only minimally higher than those of the previous winter for households using natural gas and electricity for heating, and lower for households using fuel oil (figure 1). This is a result of falling crude oil prices and modest increases in the cost of natural gas and electricity.

Although home heating costs are not expected to show an overall increase this winter, low-income households will still experience challenges in meeting heating costs because energy costs have increased faster than the purchasing power of low-income consumers over the past eight years. Also, the purchasing power of the average LIHEAP grant has declined. In addition, households that "locked in," or signed contracts agreeing to buy a predetermined volume of oil at a set price during the upcoming heating season in the belief that prices would go even higher, are now paying rates equal to or higher than last year's prices.[1]

Figure 1
Winter Heating Costs for Consumers Age 65+ by Heating Fuel Type



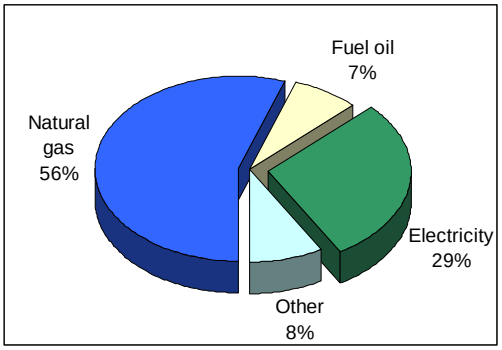
Sources: Residential Energy Consumption Survey, 2001; *Short Term Energy Outlook*, November 2008 (table WF01).

Because 56 percent of older U.S. households use natural gas as their primary heating fuel (figure 2), changes in the price of natural gas tend to have the biggest influence on the heating costs of older consumers. The Energy Information Administration (EIA) projects that households heating with natural gas can expect to pay $889, or 3.6 percent more

[1] Dave Gram, *Heating oil contracts haunt some customers*, Associated Press Montpelier. October, 2008.

than the previous year, to heat their homes this winter.[2]

Figure 2
Primary Heating Fuel Used by Consumers Age 65+



Source: Residential Energy Consumption Survey, 2001.

Key Findings

Based on projected heating-related expenditures for older consumers during the 2008–09 winter heating season, our analysis found the following:

Income and Heating Costs

Older consumers who heat with fuel oil will pay the most to heat their homes, in spite of a decrease in the price of fuel oil.

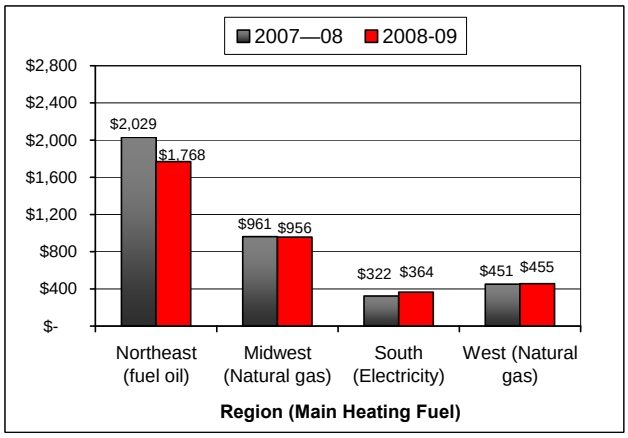
For winter 2008–09, projected heating costs for older consumers using heating oil as their primary heating fuel will be 12 percent lower than last year's costs; yet these households will nevertheless pay at least twice as much to heat their homes as will households using natural gas or electricity. Older consumers using natural gas are projected to pay an average of $845, a 3 percent increase over the previous year, while households using electricity will pay an average of $456, a 9 percent increase over the previous year (figure 1).

Older consumers in the Northeast and Midwest will experience the highest heating costs.

Heating costs differ based on geographic location. These costs are projected to be highest in the Northeastern and Midwestern census regions, where heating oil and natural gas are the primary heating fuels and temperatures are coldest (figure 3).

Winter fuel oil heating costs for older consumers in the Northeast are projected to be $1,768, a 12 percent decrease compared to the previous heating season. Older consumers in the Midwest who use natural gas are projected to pay $956, a less than 1 percent increase over the 2007–08 heating season (figure 3). Forty-two percent of persons age 65 and older[3] live in the Midwest and Northeast regions of the United States.

Figure 3:
Heating Costs for Consumers 65+ by Census Region and Primary Heating Fuel



Sources: Residential Energy Consumption Survey 2001; Short Term Energy Outlook, November 2008 (table WF01).

The census regions can be further subdivided into nine census divisions (see table 1).

[2]Energy Information Administration, *Short-Term Energy Outlook*, November 2008. www.eia.doe.gov/steo.

[3]The Census Bureau estimates that more than 15 million older consumers live in these regions.

Table 1
Projected Winter Heating Costs for Consumers 65+ by Census Division and Primary Heating Fuel

	2007—08	2008-09	Percent Change
New England (fuel oil)	$ 2,416	$ 2,102	-13.0%
Middle Atlantic (natural gas)	$ 1,022	$ 1,103	7.9%
East North Central (natural gas)	$ 1,005	$ 1,000	-0.5%
West North Central (natural gas)	$ 831	$ 827	-0.5%
South Atlantic (electricity)	$ 248	$ 281	13.1%
East South Central (electricity)	$ 553	$ 625	13.1%
West South Central (natural gas)	$ 565	$ 614	8.6%
Mountain (natural gas)	$ 575	$ 581	1.0%
Pacific (natural gas)	$ 392	$ 396	1.0%

Sources: Residential Energy Consumption Survey 2001; Short Term Energy Outlook, November 2008 (table WF01).

Older consumers with the lowest incomes typically experience the greatest cost burdens.

Thirty-five percent of older households have total household incomes of less than $20,000, and they typically experience the greatest energy burden. This trend is projected to continue throughout winter 2008–09 (table 2).

Although consumption data show that low-income older consumers tend to use less heating fuel than higher income groups, high winter heating costs are likely to be a greater burden on this group than on higher income older consumers. For example, comparing heating costs for older low-income and all-income households heating with fuel oil, low-income households will spend almost 14 percent of household income on heating costs, while all-incomes households will spend less than 4 percent of household income (table 2).

Table 2
Projected Winter 2008–09 Energy Burden[4] for Consumers Age 65+

		Natural Gas		Fuel Oil		Electricity	
Income	Percent of 65+ Population	Energy Burden	Cost	Energy Burden	Cost	Energy Burden	Cost
$0—9,999	10.4%	8.5%	$ 637	13.8%	$ 1,032	5.2%	$ 391
$10—19,999	24.6%	5.7%	$ 830	12.0%	$ 1,751	2.8%	$ 404
$20—29,999	18.9%	3.6%	$ 880	6.8%	$ 1,669	1.6%	$ 396
$30—39,999	12.7%	2.3%	$ 803	5.6%	$ 1,938	1.6%	$ 561
$40—74,999	19.6%	1.8%	$ 924	3.8%	$ 1,968	1.0%	$ 512
$75,000+	14.0%	0.9%	$ 1,007	2.5%	$ 2,666	0.6%	$ 647
All Incomes	100%	1.8%	$ 845	3.7%	$ 1,774	1.0%	$ 456

Sources: Residential Energy Consumption Survey 2001; Short Term Energy Outlook, November 2008 (table WF01).

The National Energy Assistance Directors Association estimates that LIHEAP recipients spend 15 percent of their annual income to pay home energy bills, while households with incomes above the LIHEAP federal maximum income standard spend only 3 percent of their annual income on household energy.[5]

Rising heating expenditures by low-income consumers far exceed available resources for low-income energy assistance programs.

Based on an analysis of EIA data, home heating expenditures increased by more than 80 percent between heating seasons 2001–02 and 2007–08. During this same period, funding for LIHEAP increased by less only 39 percent. In addition, the average grant amount for heating assistance declined substantially after the winter of 2005–06 (table 3), and as of winter 2007–08 was estimated to be only 3 percent higher than the average grant in 2001–02 (figure 4).

[4]Burden, which represents the portion of household income needed to meet projected winter heating costs, is calculated by taking the estimated median for each income group in table 1 and dividing this number by the average projected fuel cost for each group.

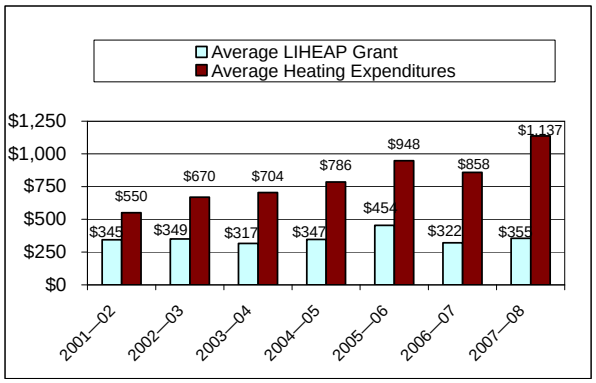
[5]Testimony of the National Energy Assistance Director's Association on the Low-Income Home Energy Assistance Program before the Subcommittee on Children and Families Committee on Health, Education, labor and Pensions: U.S. Senate, March 2008.

Table 3
Estimated Average Percentage of Home Heating Purchased with LIHEAP (All Ages, 2001–08)

Fiscal Year	Heating Oil	Natural Gas	Electricity	Average LIHEAP Grant
2001—02	50.2%	67.7%	42.8%	$345
2002—03	36.7%	58.2%	50.0%	$349
2003—04	35.1%	42.8%	44.1%	$317
2004—05	29.0%	36.7%	44.4%	$347
2005—06	31.7%	48.0%	58.1%	$454
2006—07	22.9%	38.8%	38.3%	$314
2007—08	18.3%	35.1%	41.4%	$355

Sources: *The Low Income Home Energy Assistance Program: Providing Heating and Cooling Assistance to Low-Income Families during a Period of High Energy Prices*, National Energy Assistance Directors Association, February 2007; Analysis of 2008 EIA data.

Figure 4
Expenditures for Heating Fuels vs. Average LIHEAP Grants, 2001–02 to 2007–08



Sources: Residential Energy Consumption Survey 2001; *Short Term Energy Outlook*, November 2008 (table WF01); LIHEAP Survey 2007, National Energy Assistance Directors' Association.

Congress authorized $5.1 billion in LIHEAP funding and $477.2 million in Weatherization Assistance Program funding for fiscal year (FY) 09,[6] a 96 percent increase over last year's authorization.

In 2007–08, an estimated 5.7 million low-income consumers received government assistance for energy bills.[7] However, the program served only 16 percent of eligible households. Increased funding is expected to enable LIHEAP to serve an additional 2 million households in FY08–09. But Congress also expanded eligibility from 60 to 75 percent of state median income, potentially qualifying as many as 7 million additional households for assistance. Given many more eligible households and energy costs at relatively high levels, state and local agencies will likely face challenges in providing an adequate level of assistance.

Conclusion

Heating costs will continue to be greatest this winter for older consumers who use heating oil and natural gas as primary heating fuels, as well as for those living in the Northeastern and Midwestern census regions.

Older consumers with incomes of less than $20,000 will be especially burdened by the high winter heating costs. Because heating expenditures remain far greater than energy assistance spending, many older consumers earning less than $20,000 will likely find it difficult to afford their heating bills this winter. This year's significant increase in LIHEAP funding will equip states to assist more eligible households. However, high energy costs as well as increased LIHEAP eligibility may prevent states from significantly increasing average grants to recipients. Federal and state policy makers should therefore continue to leverage and diversify low-income energy assistance funding, and continue investing in energy efficiency

[6] The funds are to be allocated as follows: Regular block grant: $4.509 billion: $3.67 billion to be released under the "old formula" and $840 million under the "new formula"; emergency contingency funds: $590 million; Weatherization Assistance Program: $477 million.

[7] Testimony of the National Energy Assistance Director's Association on the Low-Income Home Energy Assistance Program before the Subcommittee on Children and Families Committee on Health, Education, labor and Pensions: U.S. Senate, March 2008.

programs that help low-income households to permanently lower heating costs.

Methodology

This fact sheet analyzes data from both the Residential Energy Consumption Survey (RECS)[8] and the November 2008 Short-Term Energy Outlook (STEO)[9] report to examine heating-related energy consumption and expenditures among consumers age 65 and older based on income, heating fuel used, and geographic location. These data are also used to project older consumers' heating-related energy consumption and expenditures for the 2008–09 winter.

Energy costs and consumption for space heating for consumers age 65 and older are based on 2001 RECS data.[10] These results are compared to income data and heating fuel type to create a table of 2001 fuel expenditures and costs for older consumers by heating fuel type and income level.

Space heating costs and consumption totals for the winters of 2001–02, 2003–04, 2004–05, 2005–06, 2006–07, 2007–08, and projected totals for 2008–09 were calculated by updating the 2001 RECS data with each subsequent year's listed unit prices for natural gas, fuel oil, and electricity from STEO.[11] To account for differences in heating fuel consumption since 2001, consumption for each fuel type was adjusted according to the differences in annual consumption indicated by the latest STEO report.

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[8] RECS is a national statistical survey that collects energy-related data for occupied primary housing units. RECS provides demographic characteristics of the household, heating fuel type, energy consumption, and expenditures as well as other information that relates to energy use.

[9] The EIA, the statistical agency of the U.S. Department of Energy, produces energy data, analysis, and forecasting. STEO is a monthly EIA publication that contains current and projected prices of various fuel types (including natural gas, fuel oil, electricity, and petroleum).

[10] The RECS survey was updated in 2005; however, as of the writing of this report, these data have not been released.

[11] *Short Term Energy Outlook*, November 2008, Table WF01: Selected U.S. Average Consumer Prices and Expenditures for Heating Fuels for the Winter.

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