

Institute for Regulatory Policy Studies

SPRING 2010 IRPS CONFERENCE

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Effects of the Great Recession on Low-Income Energy Programs

Presentation by

**John Colgan – Acting Commissioner
Illinois Commerce Commission**

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- Effects of the Great Recession on Energy Supply and Demand
 - The good news is that the supply of low-income energy assistance is as high as it has ever been
 - The not so good news is that the demand for these resources is also very high

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- What I will be discussing
 - Generally I will speak about:
 - Economic effects on low-income people in general; and
 - Impacts on low-income programs in the face of constrained government budgets
 - Specifically I will speak about:
 - Energy assistance programs that are available to help low-income people with a primary focus on:
 - Low Income Home Energy Assistance Program (LIHEAP)
 - Weatherization Assistance Program (WAP)

Economic effects on low-income people in general:

Unemployment

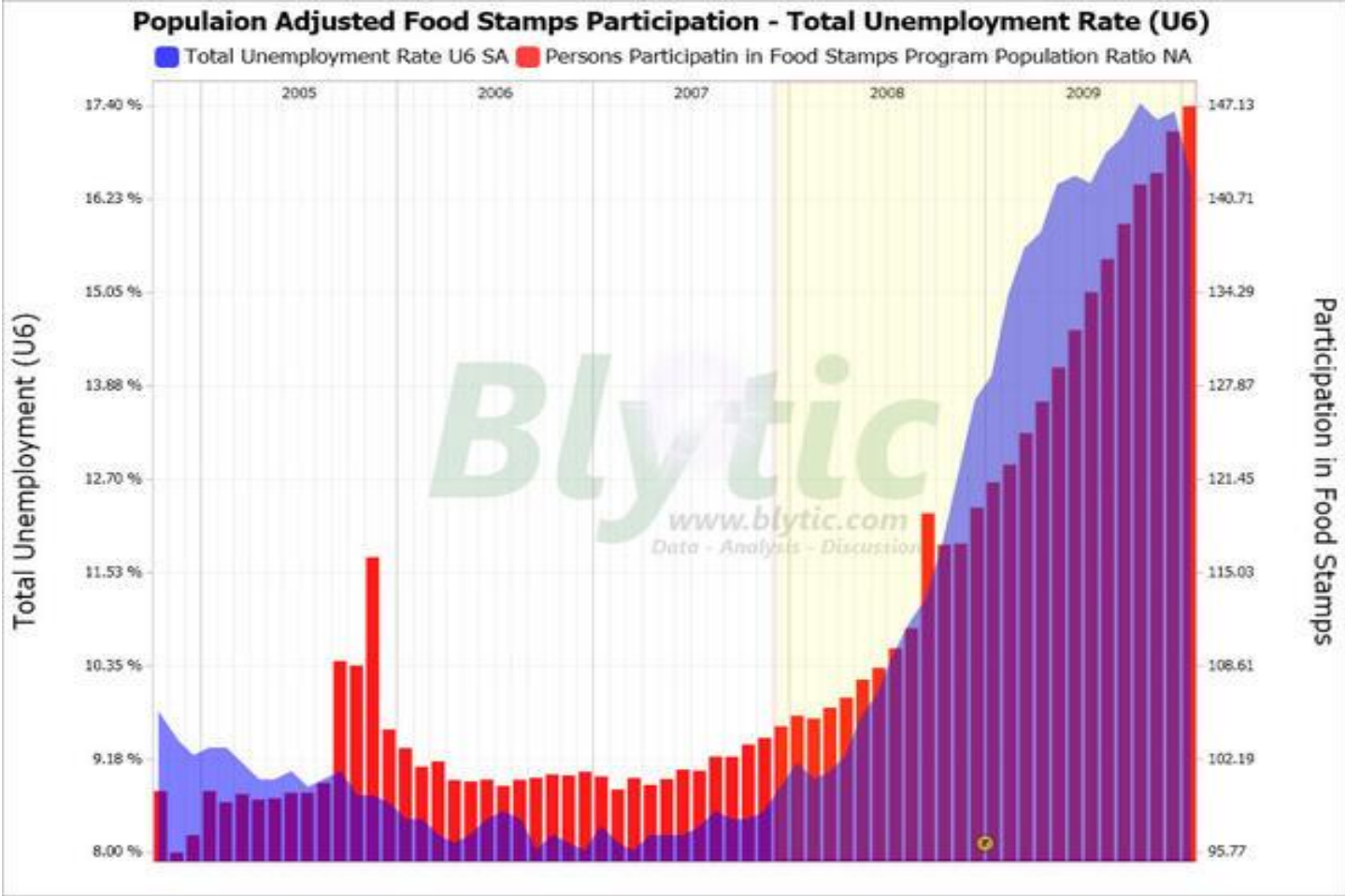
- **Unemployment rate in Illinois**

- » **11.7% of the labor force - Not seasonally adjusted - March 2010 – (Source: U.S. Bureau of Labor Statistics)**
- » **This is an unprecedented high rate. For example:**
- » **January of 1992 – unemployment in IL was 9.3%**
- » **June of 2003 - unemployment in IL was 7.4%**
- » **January of 2010 - unemployment in IL was 12.2%**

- According to a Pew Economic Policy Group report, in March 2010 over 44 % of the 15 million unemployed Americans had been unemployed for 6 months or longer.

Economic effects on low-income people in general: Food Stamp Participation

SNAP (Supplemental Nutrition Assistance Program) participation in the US – Christian Science Monitor



SNAP/Food Stamp Participation (continued)

- In January 2010, SNAP/Food Stamps participation continued to break records
- Rising to 39,430,724 people
- An increase of 452,214 individuals from December 2009
- An increase of more than 7.2 million people compared with the prior January
- (source – Food Research and Action Center)

Economic effects on low-income people in general:

Home Foreclosures

- In Illinois, about 15,000 homes were taken over by banks out of a total of almost 46,000 homes with foreclosure filings against them in the first quarter of 2010.
- Despite the decline from the end of 2009, Illinois still had the fourth highest foreclosure activity total at 45,780.
- More homes were taken over by banks and scheduled for a foreclosure sale than in any quarter going back to at least January 2005.

– (Chicago Real Estate Daily)

Low Income Home Energy Assistance Program (LIHEAP)

- The mission of the Low Income Home Energy Assistance Program (LIHEAP) is to assist low income households, particularly those with the lowest incomes that pay a high proportion of household income for home energy, primarily in meeting their immediate home energy needs.
- The federal Low Income Home Energy Assistance Program (LIHEAP) is the cornerstone of government efforts to help needy seniors and families avoid hypothermia in the winter and heat stress (even death) in the summer.
- LIHEAP is an important safety net program for low-income, unemployed and underemployed families struggling in this economy.

LIHEAP (continued)

- There are several types of funding streams for federal LIHEAP dollars. For Illinois the two most common are:
 - *Block Grant*: States, territories, and Indian tribes and tribal organizations that wish to assist low income households in meeting the costs of home energy may apply for a LIHEAP block grant. Congress established the formula for distributing funds to States based on each State's weather and low income population. Home energy is defined by statute as a source of heating or cooling in residential dwellings.
 - *Contingency Funds*: The President may release these funds to assist with the home energy needs arising from an emergency situation. They may be allocated to one or more grantees, or to all grantees, based on criteria appropriate to the nature of the emergency. In the past, the President generally has released these funds in response to emergency situations arising from extreme weather conditions or energy price increases. Generally, funds have been distributed based on the degree to which specific States are affected by the weather or energy price situation that led to the release of contingency funds.

LIHEAP Eligibility

- LIHEAP Eligibility - if your household's combined income for the 30 days prior to application is at or below the following levels:
- In Illinois, households with incomes at or below 150% of poverty are eligible for LIHEAP
 - Family of 1 – Monthly - \$1,354 – Annual – 16,245
 - Family of 4 – Monthly - \$2,756 – Annual - \$33,075

LIHEAP - Demand

- 2010 Low Income Home Energy Assistance Program (LIHEAP) Winter Application Survey
 - The key finding is that the number of households seeking energy assistance is set to reach record numbers
 - This will be the third year in a row that the record has been set.
 - For Illinois the story is no different
 - FY 08 – 319,828
 - FY 09 – 415,669
 - FY 10 – 460,146
 - FY 10 increase over 09 – 44,477
 - FY 10 percentage increase over 09 – 11%

LIHEAP – Demand (continued)

- The demand for LIHEAP assistance remains at record high levels.
- In FY 2010, the program is expected to help a record 9 million low-income households afford their energy bills
- This will be a 15% increase from the prior fiscal year.
- Advocates are requesting that LIHEAP be fully funded at its authorized level of \$5.1 billion for FY 2011

LIHEAP - Supply

- Federal Funding has gone up as the economy has gone down
- 2008
 - Total Funding for US was at approximately \$2.5 billion
 - Illinois – regular funding was \$113.2 million
 - Illinois – contingency funding was \$34.7 million
 - Total Illinois funding was \$147.9 million
- 2009
 - Total Funding for US was at approximately \$4.51 billion
 - Illinois – regular funding was \$237.2 million
 - Illinois – contingency funding was \$28.4 million
 - Total Illinois funding - \$265.6
- 2010
 - Total Funding for US was at approximately \$4.51 billion
 - Illinois – regular funding was \$232.9 million
 - Illinois – contingency funding was \$26.8 million
 - Total Illinois funding - \$259.7
- Next Year – there is some hope that LIHEAP will be funded at \$5.1 billion next year

Illinois Supplemental Low-Income Energy Assistance Fund (SLEAF)

- Effective 1998, the Supplemental Low-Income Energy Assistance Fund (SLEAF) was authorized.
- The law directed regulated gas and electric utilities to assess a monthly charge of \$0.40 per month on each residential electric service account and \$0.40 per month on residential gas service accounts, plus higher amounts for commercial and industrial accounts.
- The utilities collect the charges from customers (about \$76 million yearly), and deposit them into a state fund, which the General Assembly then appropriates yearly to the state LIHEAP and weatherization grantee.
- About 80 percent of the fund goes for low-income bill payment assistance and 10 percent supplements the state's weatherization program.
- This year an additional \$0.08 was added to the monthly charge as a result of a new program that is being rolled out over the next two years - PIPP

Illinois Fuel Funds

- Several utilities and their, employees and customers contribute to fuel funds for energy assistance.
 - 2007: \$3 million
 - 2006: \$3.9 million
 - 2005: \$3.5 million
 - 2004: \$952,613
 - 1997: \$707,250
 - 1996: \$1.5 million
 - 1995: \$1.2 million

Source (LIHEAP Clearinghouse) Last Updated: January 27, 2010

Illinois Utility Rate Assistance

- In July of 2007, a \$1 billion multi-year rate relief package was approved for electric customers of Ameren Illinois and Commonwealth Edison to help offset electric rates that had escalated after rate caps in place for nine years expired.
- Rate hikes averaged about 30 percent statewide, but some all-electric homes saw increases up to 300 percent.
- The package included low-income summer cooling assistance (2007), rate credits and weatherization.
- For the low-income, ComEd was to spend at least \$20 million over three years; Ameren about \$16 million, over 4 years.

Weatherization Assistance Program (WAP)

- The Weatherization Assistance Program (WAP) enables low-income families to permanently reduce their energy bills by making their homes more energy efficient.
- Funds are used to improve the energy performance of dwellings of needy families using the most advanced technologies and testing protocols available in the housing industry.
- The U.S. Department of Energy (DOE) provides funding to states, which manage the day-to-day details of the program (DCEO).
- The states fund a network of local community action agencies, nonprofit organizations, and local governments that provide these weatherization services in every state, the District of Columbia, U.S. territories, and among Native American tribes.

Weatherization Assistance Program (WAP)

- The energy conservation resulting from these efforts of state and local agencies helps our country reduce its dependence on foreign oil and decrease the cost of energy for families in need while improving the health and safety of their homes.
- During the past 33 years, WAP has provided weatherization services to more than 6.4 million low-income households.
- Families receiving weatherization services see their annual energy bills reduced by an average of about \$350, depending on fuel prices.
- Because the energy improvements that make up weatherization services are long lived, the savings add up over time to substantial benefits for weatherization clients and their communities, and the nation as a whole.

Weatherization Assistance Program (WAP)

- Energy conservation measures are provided free of charge to eligible households:
 - air sealing
 - attic and wall insulation
 - furnace repairs or replacements
 - electric baseload reduction (lighting and refrigeration) and
 - window and door work.
- The maximum amount of work to be done on a home is based on each individual type of home (not to exceed \$6,500) for major energy-related repairs.
- The state's network of Community Action Agencies delivers the program in Illinois.

Weatherization Assistance Program (WAP)

- In Illinois, households with incomes at or below 200% of poverty (this was legislatively increased from 150% of poverty last year to accommodate the ARRA funding) are eligible for the Illinois Weatherization Assistance Program
 - Family of 1 – Annual – \$21,660
 - Family of 4 – Annual - \$44,100

Weatherization Assistance Program (WAP)

- There are currently two federally funded WAP programs:
 - Regular program
 - HHS – IL funding for this program year is \$32 million
 - DOE – IL funding for this program year is \$10 million (down from \$24 million last year)
 - American Reinvestment and Recovery Act (ARRA)
 - The purpose is to put people back to work;
 - Reduce U.S. dependence on foreign oil;
 - The American Recovery and Reinvestment Act (ARRA) makes significant investments in renewable energy, energy efficiency and green technologies.

American Reinvestment and Recovery Act (ARRA)

- This program was funded by the federal government at \$5.1 billion – over a three year period, with all funds having to be spent by March 2012
- Illinois share of the funding in \$242.5 million
- This was a huge expansion of the program and has required major adjustments to deliver the program:
 - Approx 250% increase in funding – nearly a 370% increase in just federal funds
 - Increase in homes per year from about 7,000 last year to 23,000 this year
- There has been a lot of media coverage about this program expansion – most of it negative
 - Many people are looking for negativity about the ARRA program in general
 - It is a huge expansion of the program for a not-for-profit network
 - Especially challenging for the southern states
 - Several significant federal government road blocks had to be overcome
 - In general, most agencies are well under way and meeting target goals

American Reinvestment and Recovery Act (ARRA)

- In general this is a great program – it is a win, win, win
 - It puts people to work (projected to create 123,000 to 140,000 jobs)
 - It vastly improves the energy efficiency and carbon footprint of housing stock that is need
 - It reduces the consumption of energy fuel and lowers low-income energy bills

Percentage of Income Payment Program (PIPP)

- I could spend my entire allocation of time on this new program but will just very briefly explain it here
- What is a PIPP
 - LIHEAP customers currently are on a grant program based on:
 - income; household size; geographic location
 - Customers receive a grant and the balance of their bill is their responsibility
 - PIPP is a program where the customer pays according to their income level
 - Average Illinois families pay 4% - 6% of their income for home energy
 - The IL PIPP is set up so that eligible customers will pay 6% of their income monthly for their utility bill
 - The program will benefit the lowest income customers the most
 - DCEO will work with the PAC to set the eligibility level for the program annually

Percentage of Income Payment Program (PIPP)

- PIPP is being implemented in a three phase plan
 - Currently there is a start up phase in place with several thousand people involved
 - Electric utilities are implementing this with rate relief dollars
 - Gas utilities are implementing small programs - using LIHEAP dollars
 - Next year phase two will begin
 - There are some IT complications with this
 - This phase will start with a limited participation and expand through the year
 - Starting in September of 2011 – the program will be fully rolled out
 - IT program will have to be completed and in place – this is a very big challenge
 - The program will protect lower income individuals from exposure to volatile energy prices and will make their bills affordable.
 - If it works as anticipated, this will: improve the vicious cycle of disconnect and reconnect; improve cash flow to the utilities; make Illinois a model state for affordable energy.

In Conclusion

- We are in unprecedented economic hard times
 - While there are indications that we are starting to recover
 - There is still a long way to go
- We have programs that are in place to help low-income families
 - LIHEAP
 - WAP
 - Rate Relief and Other Utility Programs
- Funding for these programs have been significantly increased
 - LIHEAP is being funded at record high levels
 - WAP is a program that has been indentified as not only a low-income program but green jobs program and has been funded accordingly
 - Rate relief programs came along at a time when we most need that sort of supplemental assistance