

July 6, 2011

What's in the FY 2012 Budget for Energy Assistance?

The District's Department of the Environment provides funding for energy assistance for low-income District households. Most of the money is directed through the Low-Income Home Energy Assistance Program (LIHEAP), which helps thousands of low-income DC households pay their utility bills each year.

During the recent economic downturn, unemployment in DC spiked and families have struggled financially. Providing money to help families behind on utility bills or rent is an important strategy to prevent homelessness and to preserve affordable housing.

Summary of FY 2012 Budget for Energy Assistance

The FY 2012 budget for direct energy assistance is \$12.9 million, including federal and local dollars. This is a 23 percent decrease from FY 2011 funding, after adjusting for inflation. (Unless otherwise noted, all figures are adjusted for inflation to equal FY 2012 dollars.)

The total budget for energy assistance in FY 2012 is well below the FY 2008 level of \$21.9 million — even though demand for assistance rose sharply due to the recession.

The FY 2012 budget reflects a decrease in both federal and local dollars. On the federal side, the FY 2012 budget is a 32 percent decline from FY 2011. The local budget also receives a cut in FY 2012. Local funding for LIHEAP would decline by 11 percent, to \$5.9 million in FY 2012 from \$6.6 million in FY 2011.

Analysis of the FY 2012 Budget for Energy Assistance

The FY 2012 budget would be the fourth in a row to reduce local funding to LIHEAP. The decrease in local LIHEAP funding is a reversal of the District's earlier efforts to supplement low federal funding for energy assistance.

SUMMARY

MAYOR'S PROPOSED BUDGET

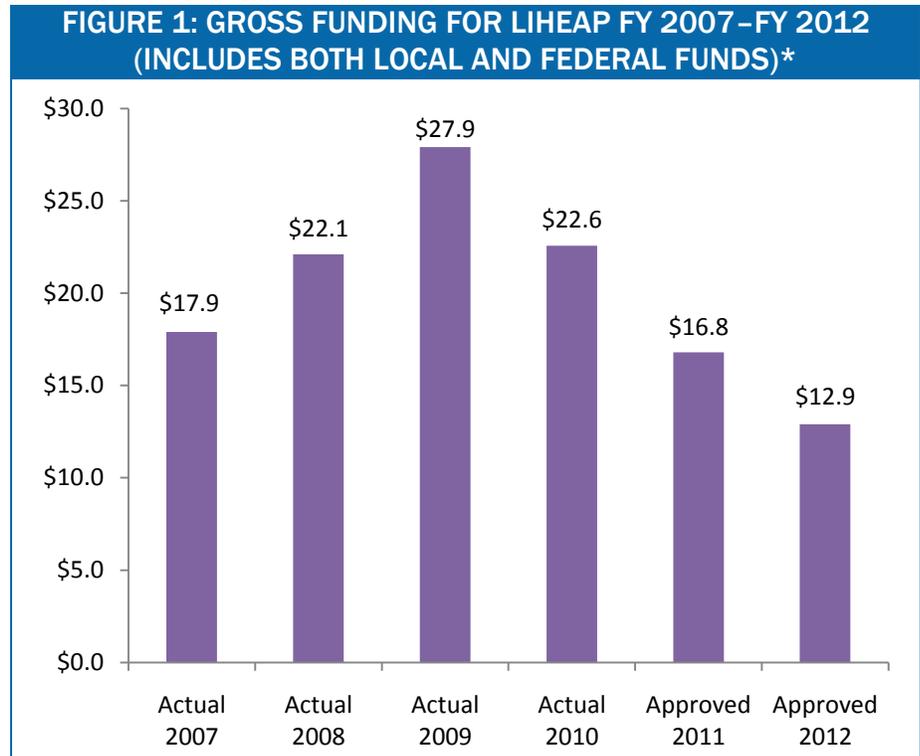
- The FY 2012 proposed gross budget for low-income energy assistance benefits is \$12.9 million, including both local and federal funds. This is 23 percent decrease from the FY 2011 budget, after adjusting for inflation.
- Mayor Gray's proposed FY 2012 budget for LIHEAP would be the fourth budget in a row with a reduction in gross funding. Though federal funding spiked to \$17 million in 2009, it has been on a decline since then. The proposed 2012 federal budget of \$7 million for LIHEAP would be a 32 percent decline from the 2011 funding level, after adjusting for inflation.
- Local funding for LIHEAP would decline by 11 percent, to \$5.9 million in FY 2012 from \$6.6 million in FY 2011. Between 2007 and 2010, the District put significant local dollars into LIHEAP. In 2011 and 2012, the District has made declining investments in energy assistance at the same time that federal funding continues to fall.

FINAL BUDGET VOTE, JUNE 14th

- The DC Council did not make any changes to the proposed budget.

Until about 2004, DC's energy assistance was funded primarily by the federal government. Starting around that time, District officials decided to put local funding into the budget for energy assistance. By FY 2008, the local appropriation for energy assistance reached nearly \$15 million and exceeded the federal funding level.

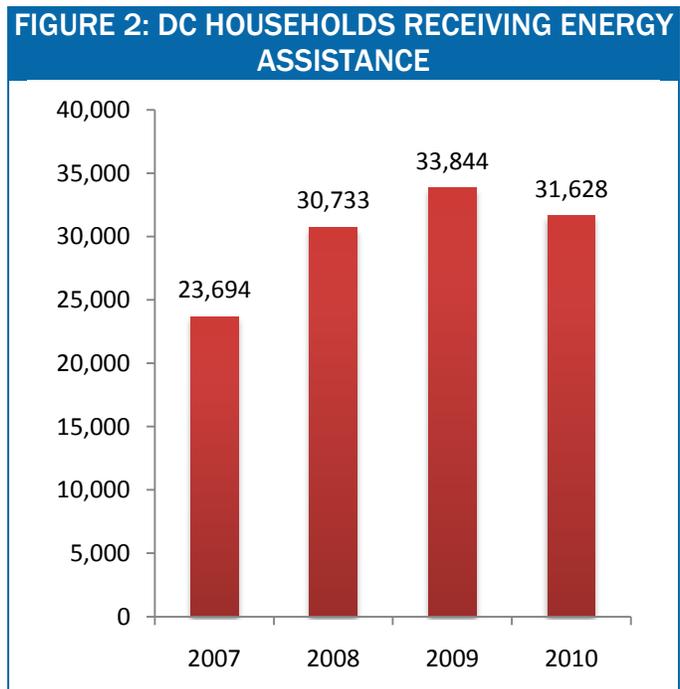
Local funding for LIHEAP has dropped notably since then – to \$8.2 million in FY 2010 and \$5.9 million in 2012. The FY 2012 local funding level is 11 percent lower than in FY 2011 — and a 61 percent cut since FY 2008 (see figure 1).



Federal funding for energy assistance benefits has fluctuated since 2008. Federal funding spiked in FY 2009 – rising from \$7.1 million in 2008 to \$17 million in 2009 — in response to a sharp rise in energy costs. In FY 2010, in addition to federal and local dollars, LIHEAP also received federal funds from TANF, Temporary Assistance to Needy Families. Since then, federal funding has declined, falling to \$7 million again in FY 2012.

As a result of these trends, total funding for energy assistance rose sharply through 2009 and has fallen since then. Combined federal and local funding rose from \$7 million in FY 2004 to \$22 million in FY 2008 and \$28 million in FY 2009.

The increase allowed the District to serve an increasing number of households. According to the DC Energy Office, 23,694 households received some type of energy assistance in 2007. By 2009, the number continued to increase with 33,844 receiving assistance (see figure 2). At the same time, the program still reaches fewer than half of all eligible households, and it still ran out of funds before the end of the fiscal year. Yet in 2010, the number of families helped



declined due to budget constraints. Last year, 31,628 families received assistance, a 7 percent decline from 2009.

Prior to FY 2007, residents were eligible for LIHEAP if their household income was less than 150 percent of the federal poverty line, which is \$33,075 for a family of four. Many families with income above that threshold, however, remain very needy but could not receive assistance.

In FY 2007, the District raised the LIHEAP threshold to 60 percent of the state median income which is roughly 200 percent of the poverty line. For a family of three, 60 percent of the state median income equals \$36,072. This threshold is consistent with other means-tested public benefit programs that set their eligibility thresholds at two to three times the federal poverty line in recognition of the fact that many families with income far above the poverty line still experience hardship.

The decline in funding since FY 2009 likely means that the District is able to serve fewer households. If the proposed budget is approved, the District would be less able to assist residents struggling to pay utility bills, even though the recession and rising unemployment has resulted in an increase in the number of households needing assistance.

According to the Public Service Commission, the number of households that had their electricity shut off in 2009 due to nonpayment was 43 percent higher than in 2007, and the number of households that had their gas shut off was 29 percent higher in 2009 than in 2007.