

Memorandum

To: Representative Mitzi Johnson, House Appropriations
From: Ken Schatz and Hal Cohen *KAS*
Re: Declining Revenue for Low Income Home Weatherization Program (LIHEAP); SFY16 & SFY17 LIHEAP/Weatherization Transfers
Date: March 9, 2016

Due to low fuel prices, the Weatherization Assistance Program (WAP) is under-funded in FY 2016 and the problem will likely reoccur in FY 2017. In addition, the cost of LIHEAP program benefits for recipients over 150 percent of the Federal Poverty Line (FPL) were underestimated. We believe that this can be resolved for FY16 while keeping both programs whole; however in FY17, we anticipate needing to reduce the LIHEAP Program.

Background for FY16

Weatherization Assistance Issue & Proposed Solution:

- WAP is primarily funded from revenue generated by the Fuel Gross Receipts Tax. With reduced fuel prices, it is now projected that the fund will be under-resourced by as much as \$1.03M. (see attachment)
- With the LIHEAP program, families/individuals who are at or below 150 percent of the FPL are funded through the federal block grant. The FY16 budget bill limited the program's benefit to the prior year's buying power. With the drop in fuel prices, we anticipate a \$3.34M surplus in federal funds after benefits are dispersed to all eligible households. (see attachment)
- The Secretary of Administration is authorized to transfer up to 15 percent (up to \$2.8M) of the federal LIHEAP block grant to WAP, although we need a federally approved amendment to the LIHEAP State Plan to do so.
- We propose transferring up to \$1.1M of LIHEAP block grant funds to WAP to cover FY16 costs.

LIHEAP Issue & Proposed Solution:

- For those families/individuals who are between 150 – 200 percent of the FPL, the 2012 legislature determined that although these families do not qualify for federal block grant funds, their benefit would continue by using state general fund dollars. This year, \$5.0M of budget surplus was appropriated to the program, of which \$3.4M was used for the program.
- A recent audit of the program identified a problem with our estimate of the seasonal and crisis benefit for fuel assistance families between 150 – 200 percent of the FPL. At this time, we now project that this gap will fall between \$1.4M and \$1.7M.





- We believe that the gap can be addressed by a two-way transfer between Weatherization state dollars and LIHEAP in the amount of \$1.7M which represents the remaining total funds from the federal block grant that can be transferred to Weatherization.
- This proposed solution is pending an approved amendment to our Block Grant State Plan by the Feds.

Proposed Funding Summary for FY16

\$2.8M LIHEAP federal funds (maximum allowed) → Weatherization Assistance Program

\$1.7M Weatherization state funds → LIHEAP Fuel Assistance Program

Net gain for Weatherization = \$1.1M

Background for FY17

We anticipate the same problems for both programs in FY17 and propose the same solution as outlined above: the one way transfer to WAP will be needed in FY17 of approximately \$1.1M and the two-way transfer of the remaining \$1.7M of the block grant. However, in the FY17 budget, there is no GF appropriation for LIHEAP. Thus, the remaining \$1.7 state funds transferred will be needed to cover program administration costs beyond the 10 percent allowed by the federal block grant. As a result, while we will be able to keep the Weatherization Assistance Program whole in FY17, we will need to substantially reduce LIHEAP assistance for households between 150 – 200 percent of the FPL.

Please note that this memo assumes that the LIHEAP federal block grant will be funded at or near the same level next year.

Next Steps

In addition to making policy makers, program providers and other stakeholders aware of this issue, we will need to take the multiple steps necessary to change the state plan to allow the transfer (which includes working with our federal partners and a period for public comment).

We are happy to meet with you to discuss this further and address any questions you may have.



LIHEAP Funding & Benefit Stats Compilation

21-Dec-15

R. Moffi ~ DCF/ESD/Fuel&Utility

SFY	LIHEAP Total	LIHEAP Carry-Over (1)	State Funds	TOTAL FUNDS	Fuel Liability Households	Full Season Fuel Liability Avg. Benefit All Fuel Types	Nov-Apr Avg cost petro/gal (2) & (2A)	Purchase Power Gallons / %age (3)	SFY
2016	\$18,900,000	\$2,515,000	\$3,357,500	\$24,772,500	<u>24,700</u>	\$663	<u>\$2.41</u>	<u>274 / 36%</u>	2016
Note: Numbers in <i>Italics & Underlined</i> are estimated.									
2015	\$18,965,161	\$2,074,954	\$5,000,000	\$26,040,115	25,147	\$783	\$2.87	274 / 36%	2015
2014	\$19,140,144	\$591,060	\$8,100,000	\$27,831,204	26,625	\$792	\$3.62	219 / 29%	2014
2013	\$18,359,509	\$1,583,684	\$9,700,000	\$29,643,193 (4)	27,776	\$898	\$3.85	233 / 31%	2013
2012	\$19,529,156	\$4,005,000	\$6,100,000	\$29,634,156	27,100	\$900	\$3.61	249 / 33%	2012
2011	\$27,557,850	\$6,687,000	\$0	\$34,244,850 (5)	26,546	\$866	\$3.31	262 / 34%	2011
2010	\$27,341,881	\$5,447,000	\$0	\$32,788,881	20,399	\$1,064	\$2.68	397 / 52%	2010
2009	\$38,642,377	\$363,000	\$0	\$39,005,377 (6)	19,227	\$1,718	\$2.62	656 / 86%	2009
2008	\$16,883,723	\$1,780,000	\$5,898,032	\$24,561,755 (7)	15,369	\$1,362	\$3.24	420 / 55%	2008

- (1) The carry-over amounts are for a June 30 State Fiscal Year close-out
- (2) "Blended price" for oil/propane/kerosene after required discount from FY2009 to 2013 and MOR/DOR plan from SFY2014 forward
- (2A) SFY2015 price includes MOR & DOR pricing agreements that provided an average savings of 19 cents per gallon off retail
- (3) Assumes average winter consumption of 764 gallons for a delivered petro fuel (oil/propane/kerosene)
- (4) Includes \$130,000+ in non-block grant LIHEAP funds
- (5) Income maximum increased from 156% federal poverty level gross per month to 185% fpl, and resource test eliminated
- (6) In July 2008 - heating oil approached \$5.00/gallon
- (7) State Funds Contributed Prior to SFY 2008: SFY2007 \$590,769; SFY2006 \$10,200,000; and SFY 2005 \$1,000,000
No state funds were contributed to LIHEAP prior to FFY2005

Note: Approximate conversion of funds into increase or decrease average full-season full-fuel-liability benefit

For FFY2016	\$50,000	=	\$3 additional	\$100,000	=	\$5 additional
	\$500,000	=	\$23 additional	\$1.0 Million	=	\$45 additional

DEPARTMENT FOR CHILDREN AND FAMILIES
Weatherization Fund (21235)
Fuel Gross Receipts Tax
SUMMARY OF CASH RECEIPTS
Thru January 2016

Weatherization Fund 21235
Fuel Gross Receipts Tax

	STATE FISCAL YEAR									STATE FISCAL YEAR								
	2005	05 Cumulative	% change	2006	06 Cumulative	% change	2007	07 Cumulative	% change	2008	08 Cumulative	% change	2009	09 Cumulative	% change	2010	10 Cumulative	% change
JULY	1,109,738	1,109,738	-	1,335,340	1,335,340	20.33%	1,271,579	1,109,738	-16.89%	1,549,277	1,549,277	39.61%	1,631,718	1,631,718	5.32%	1,401,309	1,401,309	-14.12%
AUGUST	11,659	1,121,397	-	21,944	1,357,284	21.04%	238,164	1,509,743	11.23%	382,030	1,931,307	27.92%	12,737	1,644,455	-14.85%	50,321	1,451,629	-11.73%
SEPT	17,517	1,138,915	-	(100,507)	1,256,776	10.35%	(143,919)	1,365,824	8.68%	(476,126)	1,455,181	6.54%	(97,710)	1,546,744	6.29%	186,198	1,637,828	5.89%
OCT	1,137,797	2,276,711	-	1,196,619	2,453,396	7.76%	1,268,611	2,634,435	7.38%	1,289,773	2,744,954	4.20%	1,423,680	2,970,424	8.21%	1,205,904	2,843,732	-4.27%
NOV	26,862	2,303,573	-	27,794	2,481,190	7.71%	42,488	2,676,924	7.89%	4,288	2,749,242	2.70%	4,826	2,975,250	8.22%	948	2,844,680	-4.39%
DEC	4,992	2,308,565	-	(87,459)	2,393,731	3.69%	(38,209)	2,638,715	10.23%	2,061	2,751,303	4.27%	(68,459)	2,906,791	5.65%	(95,971)	2,748,709	-5.44%
JAN	1,772,980	4,081,544	-	2,004,976	4,398,707	7.77%	1,996,677	4,635,392	5.38%	2,146,652	4,897,956	5.66%	2,170,152	5,076,943	3.65%	1,897,202	4,645,911	-8.49%
FEB	17,690	4,099,235	-	38,109	4,436,816	8.24%	56,490	4,691,882	5.75%	27,154	4,925,109	4.97%	(183,225)	4,893,717	-0.64%	(236,289)	4,409,622	-9.89%
MARCH	(389,373)	3,709,862	-	(222,394)	4,214,422	13.60%	(156,196)	4,535,686	7.62%	(223,180)	4,701,929	3.67%	9,901	4,903,619	4.29%	295	4,409,917	-10.07%
APRIL	2,441,082	6,150,944	-	2,147,975	6,362,396	3.44%	2,651,140	7,186,826	12.96%	2,941,297	7,643,226	6.35%	2,871,980	7,775,598	1.73%	2,586,992	6,996,909	-10.01%
MAY	155,776	6,306,722	-	124,337	6,486,733	2.85%	40,668	7,227,494	11.42%	128,875	7,772,101	7.54%	(227,191)	7,548,408	-2.88%	(264,590)	6,732,319	-10.81%
JUNE	(278,397)	6,028,325	-	(288,558)	6,198,176	2.82%	(369,751)	6,857,743	10.64%	(392,075)	7,380,026	7.62%	5,325	7,553,733	2.35%	30,033	6,762,352	-10.48%
TOTAL	6,028,325			6,198,176			6,857,743			7,380,026			7,553,733			6,762,352		
				2.82%			10.64%			7.62%			2.35%			-10.48%		

	STATE FISCAL YEAR									Projected								
	2011	11 Cumulative	% change	2012	12 Cumulative	% change	2013	13 Cumulative	% change	2014	14 Cumulative	% change	2015	15 Cumulative	% change	2016	16 Cumulative	% change
JULY	2,299,727	2,299,727	64.11%	1,777,361	1,777,361	-22.71%	1,746,823	1,746,823	-1.72%	1,831,271	1,831,271	4.83%	1,810,350	1,810,350	-1.14%	1,110,747	1,110,747	-38.64%
AUGUST	-	2,299,727	58.42%	21,848	1,799,209	-21.76%	51,308	1,798,131	-0.06%	38,431	1,869,702	3.98%	(173,700)	1,636,650	-12.46%	500,844	1,611,591	-1.53%
SEPT	498,913	2,798,640	70.88%	4,945	1,804,154	-35.53%	(160,754)	1,637,377	-9.24%	(665,794)	1,203,907	-26.47%	6,148	1,642,799	36.46%	15,895	1,627,486	-0.93%
OCT	116,776	2,915,416	2.52%	1,614,143	3,418,297	17.25%	1,586,131	3,223,508	-5.70%	1,607,290	2,811,197	-12.79%	1,657,284	3,300,083	17.39%	1,561,171	3,188,657	-3.38%
NOV	569	2,915,986	2.51%	(385,200)	3,033,097	4.02%	(143,697)	3,079,811	1.54%	(102,960)	2,708,237	-12.06%	(160,444)	3,139,638	15.93%	9,752	3,198,409	1.87%
DEC	2,434,713	5,350,699	94.66%	11,766	3,044,863	-43.09%	39	3,079,850	1.15%	16,149	2,724,386	-11.54%	25,246	3,164,884	16.17%	(157,584)	3,040,825	-3.92%
JAN	59,707	5,410,406	16.46%	2,399,465	5,444,328	0.63%	2,513,763	5,593,613	2.74%	2,479,616	5,204,002	-6.97%	2,426,649	5,591,533	7.45%	1,641,257	4,682,083	-16.26%
FEB	20,453	5,430,859	23.16%	78,799	5,523,126	1.70%	18,630	5,612,243	1.61%	(307,674)	4,896,328	-12.76%	(276,210)	5,315,323	8.56%	(231,285)	4,450,798	-16.26%
MARCH	2,596,170	8,027,030	82.02%	(322,497)	5,200,630	-35.21%	(367,535)	5,244,708	0.85%	16,056	4,912,383	-6.34%	13,664	5,328,987	8.48%	11,442	4,462,240	-16.26%
APRIL	(432,457)	7,594,573	8.54%	3,108,344	8,308,973	9.41%	3,127,374	8,372,082	0.76%	3,674,927	8,587,310	2.57%	3,340,074	8,669,062	0.95%	2,796,818	7,259,058	-16.26%
MAY	38,918	7,633,491	13.39%	13,554	8,322,527	9.03%	129,279	8,501,361	2.15%	(393,539)	8,193,771	-3.62%	(558,190)	8,110,872	-1.01%	(467,401)	6,791,657	-16.26%
JUNE	(410)	7,633,081	12.88%	(485,004)	7,837,523	2.68%	10,228	8,511,589	8.60%	39,946	8,233,717	-3.26%	73,660	8,184,532	-0.60%	61,680	6,853,337	-16.26%
TOTAL	7,633,081			7,837,523			8,511,589			8,233,717			8,184,532			6,853,337		
	12.88%			2.68%			8.60%			-3.26%			-0.60%			-16.26%		