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March 7, 2008

The Honorable Christopher Dodd
Chairman
Subcommittee on Children and Families
HELP Committee
United States Senate
428 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Lamar Alexander
Ranking Member
Subcommittee on Children and Families
HELP Committee
United States Senate
428 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Dodd and Ranking Member Alexander:

Thank you for the opportunity to submit comments to the Subcommittee in advance of Congressional action to reauthorize the Low Income Home Energy Assistance Program (LIHEAP). LIHEAP is an important block grant program that supports states' efforts to help their low-income residents meet their energy needs. However, in recent years, Southern governors have grown increasingly concerned about the program's inequitable distribution formula that unfairly favors states in cold weather regions of the country at the expense of eligible families living in hot weather states in the South and Southwest. As part of reauthorization, Congress has the opportunity to address the inequities in the formula and transform LIHEAP from a primarily regional program to a national program that assists eligible low-income families meet their energy needs in a fair and equitable manner. This is increasingly important as rising energy prices capture a growing percentage of disposable income.

Because LIHEAP funding goes so disproportionately to cold weather states, it is a common misconception that it is a heating assistance program. In actuality, LIHEAP is a home energy assistance program that is intended to provide critical assistance to low-income households in meeting their overall energy needs, including heating, cooling, weatherization and simply keeping the lights on. The LIHEAP reauthorization bill should correct these inequities in order to ensure this valuable program can reach low-income households in all regions of the country according to their energy needs.

The current formula. Under the current LIHEAP program, the first \$1.975 billion appropriated to the base formula grant is distributed among the states based on the amount of funding each state received in 1984. The 1984 funding level was determined by a complex calculation using demographic, climate and fuel price data from fiscal year 1980. Any funding in excess of \$1.975 billion appropriated to the base formula grant is then distributed according to the most currently available demographic data regarding the home energy needs of low-income households.

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*Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina,
Oklahoma, Puerto Rico, South Carolina, Tennessee, Texas, U.S. Virgin Islands, Virginia, West Virginia*

This two-tiered formula was established in 1984 when Congress reauthorized LIHEAP for the first time. Legislative history shows that Congress recognized the inequities of the original formula, and attempted to rectify the problem by directing the Secretary to determine state allotments based on the most recent satisfactory data available regarding the expenditure for home energy by low-income households. However, to ensure no state experienced a decrease in funding, Congress also included “hold harmless” language in the reauthorization legislation, under which states would receive no less than they did in 1984, during which Congress appropriated \$1.975 billion to the program base formula grant.

It can be inferred that Congress expected appropriations for LIHEAP to grow over time, and that the threshold would be surpassed regularly, thereby achieving equity. Instead, over the last two decades, this threshold has been exceeded only once, when Congress provided additional funding to LIHEAP in a supplemental appropriations bill in FY06. Between FY03 and FY07, the 23 hot weather states—home to more than half of the eligible population—received less than one third of the funding provided to the LIHEAP formula grant. The result has been to effectively cap the funds received by these 23 hot weather states at 1984 levels. Therefore the inequities inherent in the original formula have continued to plague the program.

Contingency Funds. Although the \$1.975 billion threshold has only been surpassed once in the last two decades, appropriators regularly provide additional funding via the LIHEAP contingency grant. Contingency funds are set aside for emergency situations and are released at the sole discretion of the President and the Secretary of Health and Human Services. Criterion for how emergencies are determined has never been published. However, history shows the bulk of these dollars are released during the winter months, primarily to the same cold weather states that receive the lion’s share of the formula grant resources. Between FY03 and FY07, cold weather states received more than 80 percent of contingency funding.

Population trends, health effects of extreme heat reinforce need for formula change. Much has changed since Congress first created LIHEAP in 1981. The nation has seen a major population shift away from the Northeast and upper Midwest towards the South and Southwest—the regions of the country that already receive a disproportionately small share of LIHEAP funding. Because the formula used to distribute the first \$1.975 billion in LIHEAP funding is static, these massive population changes have not been reflected in the distribution of LIHEAP funds; thus, as their population increases vis-à-vis the nation, Southern states have more eligible families to serve with the same limited LIHEAP dollars.

We have also learned more about the health effects of extreme heat. Heat is especially dangerous for the elderly, young children and people with chronic medical conditions. Prolonged exposure to heat can aggravate underlying health conditions, in particular cardiovascular diseases. According to the Centers for Disease Control and Prevention, air conditioning is the number one protective factor against heat-related illness and death.

The Honorable Christopher Dodd
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March 7, 2008
Page 3

Recommendations: Southern governors respectfully urge Congress to include the changes necessary to transform LIHEAP into a national—rather than regional—energy assistance program within any reauthorization bill.

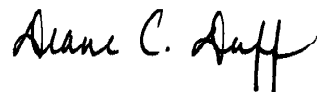
Specifically, SGA recommends the following changes to the LIHEAP statute:

- Eliminate the hold harmless provision in the current statute and allow the program funds to be distributed based on the most currently available data regarding the expenditure for home energy by low-income households;
- Require the Secretary to establish procedures for the equitable consideration of applications from governors for contingency funds. The procedures should require the consideration of the differences between geographic regions, including differences in sources of energy supply, relative price trends, and weather-related factors including extreme cold, extreme heat and drought; and
- Provide for forward funding of the program to promote the development of stable predictable programs.

LIHEAP is likely to enjoy greater support from members of Congress, governors, and other elected officials across the country if the distribution formula were more equitable in offering assistance to the energy needs of eligible households and was not regionally discriminatory.

SGA looks forward to working with you to achieve these objectives within this important reauthorization. Thank you for your consideration.

Sincerely,



Diane C. Duff