STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

TESTIMONY OF
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Before The Appropriations, Human Services, and Energy And Technology Committees

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FFY 2011 LOW INCOME HOME ENERGY ASSISTANCE PROGRAM BLOCK GRANT ALLOCATION PLAN

Good afternoon Senators Harp, Doyle and Fonfara, Representatives Geragosian, Walker, and Nardello, and distinguished members of the Appropriations, Human Services, and Energy and Technology Committees. I am Brenda Sisco, Acting Secretary of the Office of Policy and Management, and I am before you today to request your approval of the block grant allocation plan for the Low Income Home Energy Assistance Program (LIHEAP).

The department's allocation plan assumes a block grant funding level of $52.7 million based on the funding levels proposed by both the President and the Senate Appropriations Committee. This amount represents a reduction of $44.2 million from last year's level of $96.9 million, when the federal block grant was funded at $4.5 billion (plus $590.3 million in emergency contingency funding). The President's proposed budget recommends funding of $2.5 billion plus $790 million in emergency contingency funding, while the Senate Appropriations Committee has approved a funding level of $2.7 billion plus $590 million in emergency funding. In addition to the amounts indicated above, both the President's budget and the Senate Appropriations Committee's bill include $2 billion for a new trigger mechanism, which would provide automatic increases in assistance in response to spikes in energy prices and/or the number of households living in poverty. The House Appropriations Subcommittee is recommending total funding of $5.1 billion, but the split between block grant funding and emergency contingency funding will not be available until the full committee reports out the bill. Although the federal budget has not been finalized, the allocation plan assumes the block grant will be funded at $2.5 billion consistent with the President's recommended funding level. In the past, the allocation plan has not assumed the receipt of any emergency contingency funds because the release of any of these funds is at the discretion of the President. However, given the funding reductions already assumed in the plan and the benefit reductions that would otherwise be required, we are assuming Connecticut will receive emergency contingency funding of $8.8 million, similar to last year.

As some of you may recall, benefits for the FFY 2009 program year were increased significantly to reflect substantially higher deliverable fuel costs that were anticipated at the time the plan was being developed (see attached chart). At that time, the average retail price for heating oil in Connecticut was over $4.00 a gallon. Although the average retail price for heating oil over the FFY 2009 heating season dropped significantly – to less than $2.50 a gallon, program benefits that were increased to address higher fuel costs, which did not materialize, were not reduced. For the FFY 2009 program year, the maximum Basic Benefit for households was increased by $250, from $675 to $925. Last year, with both the House and Senate Appropriations Committees recommending a funding level of $4.5 billion plus $590 million in emergency contingency funding, we were able to essentially maintain the higher Basic Benefit levels, proposing only a modest reduction of $45 to the Basic Benefit and reducing the maximum Basic Benefit to $880.

The allocation plan before you recognizes not only that federal funding will likely be significantly lower than last year, but also that the state's fiscal situation does not allow us the luxury of infusing state dollars into the program to maintain these higher benefit levels. While I understand that many of you will be reluctant to reduce benefits, it is again important to remember that FFY 2009 was an extraordinary year with oil prices projected to reach $5.00 a gallon. In the face of these unprecedented costs, benefits were increased dramatically to maintain the program's purchasing power and to ensure that Connecticut's residents would continue to receive necessary heating assistance and relief. With the average retail price for heating oil in Connecticut currently $2.75 a gallon, there is no need to take emergency measures to maintain the higher benefit levels from the last two years nor can we afford to given the state's current fiscal situation. The benefit levels being proposed today, with a maximum Basic Benefit of $675, are in line with the levels that were in place prior to FFY 2009 and will allow the program to meet its mission of assisting low income households in covering their winter heating costs.

In addition, to further ensure that funding is available to help those most in need, eligibility for the Contingency Heating Assistance Program (CHAP) is being reduced from 60% of state median income ($60,986 for a family of four) to 200% of the federal poverty level ($44,100 for a family of four). While this will result in fewer households receiving assistance under CHAP, it is important to recognize that the Contingency Heating Assistance Program was first implemented in FFY 2000 when federal funding was projected to be sufficient to allow a limited benefit to be provided to households with higher income (up to 60% of the state median income). CHAP benefits were not provided in FFY 2005 due to lower anticipated federal funding levels. With a significant reduction in federal funding anticipated for the upcoming heating season, we again need to assess whether we can continue to assist households who are at the 60% state median income level for the Connecticut Energy Assistance Program (CEAP). Rather, reducing income eligibility for CHAP to 200% of the federal poverty level will ensure that funds are available to focus on the core population that needs assistance; maintaining CHAP eligibility for a typical family earning almost $61,000 would require further benefit reductions that would directly impact the state's neediest. This change is consistent with federal requirements to provide the highest level of assistance to those households who have the lowest incomes.

While the Department of Social Services will go into greater detail regarding the changes included in the plan, I do want to point out that the allocation plan eliminates $1.0 million in CEAP funding for emergency heating system repair and replacement due to the availability of ARRA Weatherization funding. Maximizing the use of the ARRA dollars will help mitigate further benefit reductions.

The plan before you today is a reasonable and balanced one in light of likely federal reductions. It allows us to live within the anticipated federal dollars, provides Basic Benefits that are in line with the years prior to 2009, and ensures that the program's core population – the state's lower income households – receive the necessary assistance to help offset their winter heating costs.

Let me stress a very important point: as in prior years, the plan allows for increases in benefit levels should additional federal funding become available. Any additional funds received could be used to increase benefit levels, increase eligibility, extend the program, or provide additional benefits as outlined in the plan.

I urge your support of the LIHEAP allocation plan. Deputy Commissioner Beaulieu will be presenting her testimony and will be able to provide more detailed information on the allocation plan which is before you today. Thank you.