

TESTIMONY OF
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SECRETARY
OFFICE OF POLICY AND MANAGEMENT
Before The Appropriations, Human Services, and Energy And
Technology Committees

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FFY 2012 LOW INCOME HOME ENERGY ASSISTANCE PROGRAM
BLOCK GRANT ALLOCATION PLAN

Good afternoon Senators Harp, Musto and Fonfara, Representatives Walker, Tercyak, and Nardello, and distinguished members of the Appropriations, Human Services, and Energy and Technology Committees. I am Ben Barnes, Secretary of the Office of Policy and Management, and I am before you today to request your approval of Governor Malloy's block grant allocation plan for the Low Income Home Energy Assistance Program (LIHEAP) for federal fiscal year (FFY) 2012.

Overview

Before I describe the Governor's proposal for the LIHEAP program, and why I believe it is the best approach for the state to take now, let me reaffirm the Governor's and my own commitment to low income energy assistance. In these uncertain economic times, which are downright bleak for the least fortunate in our state, we have an even greater responsibility to keep our citizens safe and warm. There is only one realistic way to do this – targeting aid to those who need it, when they need it. With oil prices rising steeply, unemployment staggeringly high, and income stagnant at best, we have every reason to expect that more households than ever will struggle to keep their heat bill paid. If government does not step forward to ensure that the heat stays on for these folks, they will suffer cold, homelessness, and financial ruin.

Unfortunately, households that are not protected by the moratorium will begin losing heat early in the season if assistance is insufficient. The plan that I am proposing today will make all of our limited resources available to keep the heat on now and into the winter season. This will allow us to make whatever decisions are necessary during the regular session to ensure that the program is fair and adequate. I hope that this can be accomplished with additional federal funds. If that is not forthcoming or is insufficient, this administration is committed to working in February with the General Assembly and utility companies to find the best solution. We will not let this winter be the season of ruin for our friends and neighbors, and you should in no way interpret our proposals as an admission of defeat or back-turning on the poor. Indeed, I believe that our strong commitment to this program is best demonstrated with the strategy laid out here today.

Here's the nub of the issue before you: we cannot spend more than we have for this or any program. If we ignore this problem, oil-heated customers will not get enough subsidy and will face shut-off and cold. Utility heated households will also get inadequate aid, but will be protected from winter shut-off by the moratorium. It's our obligation to make sure that everyone is protected from freezing this winter.

Status of Federal Funding

The allocation plan before you today assumes block grant funding for Connecticut of \$41.8 million -- based on President Obama's proposed budget. This represents a significant reduction of \$56.5 million from last year's award of \$98.3 million, when the federal block grant was funded at \$4.5 billion.

Final action on the federal budget has not yet been taken and is unlikely to occur for many months, so, like other states, we need to base our allocation plan on federal action to date. President Obama's proposed budget recommends block grant funding of \$1.98 billion and last week the Senate Appropriations Committee approved a LIHEAP funding level of \$3.4 billion. The House of Representatives has not yet acted, but indications are that the House will recommend a LIHEAP funding level similar to the President's proposal.

The President's proposed budget includes \$590 million for emergency contingency funds, but the Senate Appropriations Committee recommended \$200 million and it is expected that the House of Representatives will do the same. The release of any emergency contingency funds is at the discretion of the President -- it is never known when (and if) such funds will be released and, if released, the amount that will actually be allocated for Connecticut. Although, historically, 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, last year's plan did assume the release of contingency funds. Given the funding reductions already reflected in the plan and the benefit reductions that would otherwise be required, we are assuming Connecticut will receive the same level of emergency contingency funding as was received last year -- \$4.7 million.

Last year we were in a similar position as we are today, with the federal funding level far from certain. However, the climate in Washington has changed dramatically and it is likely that the federal funding level will not be finalized until late winter or early spring. If benefit levels and caseload growth were to remain the same as last year, then the program would require funding of nearly \$120 million. This is \$73 million more than is expected to be available.

Given the federal action to date, coupled with the unknown impact of future federal deficit reduction efforts, it would be fiscally irresponsible for us to maintain last year's benefit levels with the hope that Washington will come through with the necessary funding.

The allocation plan before you today 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 to provide state dollars to maintain these higher benefit levels. The enacted budget is within \$1 million of the expenditure cap, so offsetting spending reductions would be necessary if the state were to provide financial support for the program.

The plan assumes a minimum of \$46.4 million will be received by Connecticut and, in the event that additional funding is made available, a contingency plan is provided for additional benefits based on the additional amount available. We believe it is most prudent to build our plan for Connecticut's Energy Assistance Program (CEAP) using the President's numbers, while continuing to work with our congressional delegation and other states to advocate for increased funding for the program. This course of action is consistent with that in other states and advice from the Coalition of Northeastern Governors.

The Allocation Plan

Clearly, the proposal we have submitted for your consideration represents a significant departure from the allocation plans submitted to you by previous administrations. As we assessed the impact of the significant federal funding reduction on the Connecticut Energy Assistance Program, we identified major concerns with the approaches recommended to us by the Low Income Energy Advisory Board and others. The typical approach, to maintain the current structure of the program and reduce benefit levels to match federal revenue, would have a disproportionate and disastrous effect on certain beneficiaries of the program.

In past years, the program provided the same Basic Benefit to utility-heated households and deliverable fuel-heated households and then additional Crisis Assistance and Safety Net Assistance benefits for deliverable fuel-heated households. If we were to maintain the same eligibility and program structure as last year, but reduce benefits to a level commensurate with the amount we expect to receive from the federal government this year, the Basic Benefit would be so low that deliverable fuel-heated households would not have enough for a single delivery of oil. If we were to raise the amount of the benefit to a level that would afford these households one delivery, we would run through the expected federal funding and need to close the Basic Benefit program by November – before the coldest months of winter even begin.

These alternatives are reckless, and worse, seriously endanger the health and safety of our most vulnerable residents.

In order to address the needs of the state's most vulnerable population during the winter heating season, we are proposing to re-focus the program this year to prioritize payment of a meaningful benefit level to households who are most in danger of freezing over the cold winter months -- households heated by deliverable fuel. Because households heated by electricity and natural gas are protected by a statutory moratorium on utility shut-offs

during winter, we can determine what, if any, benefit can be paid to these beneficiaries after the federal government has taken final action on its budget.

By restructuring the program to focus first on the provision of Crisis Assistance and Safety Net Assistance benefits to deliverable -fuel heated households, we will maximize available dollars and provide a meaningful benefit level. This restructuring will allow DSS to maintain last year's CEAP levels, which ranged from \$640 to \$880 depending on income and vulnerability, under the Crisis Assistance benefit (rather than the Basic Benefit) which is available to deliverable fuel heated households.

In addition, to further ensure that funding is available to help those most in need, eligibility for CHAP is being reduced from 60% of state median income (\$61,276 for a family of four) to 200% of the federal poverty level (\$44,700 for a family of four). CHAP 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 eliminated entirely in FFY 2005 due to lower-than anticipated federal funding levels. With reduced funding again projected for FFY 2012, eligibility for CHAP is being scaled back rather than being fully eliminated. 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 over \$61,000 would require further benefit reductions that would directly impact the state's neediest recipients.

It is important to recognize that the allocation plan allows for increases in benefit levels should Connecticut receive additional federal funding. Assuming Safety Net Assistance is fully funded, any funds received will be targeted to restore Basic Benefits, up to last year's levels. For every additional \$10 million received, \$9 million will be used to increase Basic Benefits and \$1 million will be used for administration. This would translate to approximately \$90 increase in Basic Benefits, although the increase would not have to be the same at every income level and could be allocated proportionately. In the event funding is increased above the President's recommended level, it would be far easier to add benefits than to pull back benefits or be forced to close the program.

The proposed allocation plan is consistent with both federal and state requirements for the program. The federal government requires that we set aside adequate funding to provide crisis intervention until March 15 – which is exactly what this plan does. In addition, 42 USC § 8624(b)(5) – commonly known as Assurance 5 -- requires that energy assistance be focused on the lowest-income households that pay a high proportion of their income for energy. The allocation plan meets Assurance 5 requirements – which do not state that assistance must be provided to all fuel types – because the highest benefits provided under the plan will be available to the lowest income households. In addition, Connecticut General Statutes §16a-41a(1)(E) states that a Connecticut Energy Assistance Plan must include the “[d]esign of a basic grant for eligible households that does not discriminate against such households based on the type of energy used for heating.” The language in the statute specifically references “basic grant” and, since the plan does not propose to provide a “basic grant”, it is consistent with this provision.

Other Support for Utility-Heated Households

Another point I would like to emphasize is that, under our proposal, utility-heated households can still participate in the matching payment programs (MPP) administered by the utility companies. Under the MPP, households are assigned a payment arrangement with the utility company. In accordance with PURA docket 11-06-14, “In the event CEAP funding is not available, the Companies will agree to match the customer’s payments if the customer has completed the CEAP application process and been deemed eligible to receive CEAP funding.” Thus, if program funds do not allow for lower-income utility heated households to receive a benefit under CEAP, then they could be determined eligible for CEAP with a zero dollar benefit in order to access the matching payment programs and the state’s weatherization program. In addition, if the community action agencies are able to manage the additional caseload within the limited administrative dollars (capped by federal rules at 10%), CHAP households between 200% of the federal poverty level and 60% of the state median income could also be determined eligible for the program with a zero dollar benefit in order to be eligible for MPP (for utility-heated households), and the weatherization program.

While we recognize that a reduced or eliminated Basic Benefit would result in an increase in the household’s required payment and could negatively impact a household’s ability to successfully comply with the MPP payment requirements, this could be offset by the new state-funded Earned Income Tax Credit program. Under the EITC program, financial assistance will be provided to many lower income households – for families with three children and an income of \$15,000 (single-parent household) or \$20,000 (two-parent household), the 30% tax credit will mean an additional \$1,700 to help with this winter’s heating costs.

I have met with the utility companies and believe we can work with them to mitigate negative impacts on their customers. I hope that they will continue to work with customers to reduce and/or eliminate utility service arrearages.

Federal Advocacy

Because Governor Malloy is deeply concerned that the federal funding for LIHEAP could be reduced by more than fifty percent, he has joined with other Governors of Northeastern states to urge Congress to adopt a reasonable funding level so that this vital program can continue to offer needed relief. He is committed to continuing these efforts in the coming weeks and months if necessary.

Summary

The plan before you today is a reasonable one and it does what is necessary to preserve the social safety net in the face of federal cuts. There is no question that significant reductions in funding will require that difficult choices be made, but I am confident in this administration’s approach.

This plan refocuses LIHEAP in a practical way in light of a massive federal funding cut to the state and addresses the most critical public policy goal of the low-income heating assistance program, which is preventing people from freezing to death. Our main goal must be to protect families and individuals who are most vulnerable to freeze this winter. Once the federal budget is finalized, the plan allows us to provide benefits to utility-heated households when and if additional funding becomes available.

I urge your support of Governor Malloy's allocation plan for the FFY 2012 Low Income Home Energy Assistance Program. Commissioner Bremby will be presenting his testimony and will be able to provide more detailed information on the allocation plan which is before you today. Thank you.