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**THE IMPACT OF RISING
HOME HEATING COSTS ON FAMILIES IN
MAINE'S 2ND CONGRESSIONAL DISTRICT**

PREPARED FOR REP. MICHAEL H. MICHAUD

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EXECUTIVE SUMMARY

Prices for home heating fuels — natural gas, heating oil, and propane — have increased steadily in recent years, rising to record highs as the winter heating season approaches in the aftermath of Hurricanes Katrina and Rita. These increased costs are expected to have a significant impact on family budgets, with the U.S. Energy Information Administration predicting that costs will increase by hundreds of dollars for most families.

At the request of Rep. Michael H. Michaud, this report analyzes the impact these rising costs will have on families in Maine's 2nd Congressional District. The report finds that the increases in heating costs will affect hundreds of thousands of families in the district and cost tens of millions of dollars. Specifically, the report finds:

- **Increased heating costs will affect over 200,000 local families.** There are 211,000 families in Rep. Michaud's district that rely on heating oil for their home heating. Costs for heating oil for these families are expected to increase by over \$300 per family this winter. An additional 13,000 families in the district use natural gas or propane to heat their homes. These families will also face steep price increases.
- **Increased heating costs will cost local families almost \$70 million.** In total, the 240,000 local families affected by rising prices for natural gas, propane, and heating oil are likely to pay \$69 million more to heat their homes this winter than last, an average increase of \$309 per family. In the event of a cold winter, cost increases could be as much as \$155 million for local families, over \$650 per family.
- **Over 40,000 local families that are eligible for federal heating assistance are unlikely to receive it.** The federal Low Income Heating and Energy Assistance Program (LIHEAP) was created to provide financial assistance to low-income seniors and families that would otherwise struggle to pay their heating bills. Because of lack of funding, an estimated 44,000 families in Rep. Michaud's district that are eligible for such assistance will not be able to receive it.

BACKGROUND

In recent years, prices for home heating fuels — natural gas, propane, and heating oil — have increased dramatically. The U.S. Energy Information Administration reported in November 2005 that prices for heating fuels would be well above record highs during the coming winter.¹

According to the Energy Information Administration, natural gas prices are expected to increase by 29%, propane by 15%, and heating oil prices by 28% relative to last year's prices.² For the average family nationwide, heating costs are expected to increase by almost \$300 during the winter.³ Some forecasters have predicted a colder than average winter.⁴ If this occurs, it will result in even higher prices and higher expenditures, with the average family paying hundreds of dollars more than last year to heat their homes.⁵

These increased heating prices will have an impact on individual families and on the broader economy. Families will be forced to spend additional money on heating fuel each month, cutting back on other expenses and turning down the thermostat. The increased prices will trickle through the economy as a whole, increasing inflation and reducing consumer expenditures in other areas.⁶ One analyst concluded simply: "We're going to have a winter of discontent."⁷

The increased heating fuel prices will have their greatest impact on low-income families and seniors on fixed incomes. According to the National Energy Assistance Directors Association, many low-income families "will have few choices but to cut back on essential necessities, such as medicine, food, and

¹ U.S. Energy Information Agency, *Short Term Energy* (Nov. 8, 2005).

² *Id.*

³ *Id.*

⁴ *Cold, Expensive Winter Forecast*, Reuters (Oct. 17, 2005).

⁵ U.S. Energy Information Agency, *Short Term Energy Outlook and Winter Fuels Outlook* (Oct. 12, 2005).

⁶ *Inflation Jumped 1.2% in September to a 25-Year High*, Maine Times (Oct. 15, 2005).

⁷ *Id.*

clothing.”⁸ A survey conducted by the organization found that almost 50% of low-income families were unable to pay their home energy bills in the last year. Others could pay their bills, but only after making severe sacrifices: one in three low-income families sacrificed necessary medical care to pay their increased heating costs; one in five went without food for at least one day to pay these costs; and almost one in six reported illnesses due to their inability to heat their homes.⁹

The primary federal program providing assistance to low-income households to pay high heating bills is the Low Income Home Energy Assistance Program (LIHEAP). The program has been hamstrung, however, by inadequate funding. Nationwide, less than one in five eligible LIHEAP beneficiaries (18%) received assistance in FY 2005.¹⁰

The shortfall in LIHEAP funding may become more severe this winter. Significant funding increases are needed just to keep pace with rising fuel prices.¹¹ Yet the President's budget called for a \$200 million cut in funding compared to last year.¹² Although LIHEAP's final budget has yet to be determined by Congress, efforts by Democrats in Congress to provide full funding have been defeated.¹³

⁸ National Energy Assistance Directors Association, *Home Heating Costs Projected to Hit Record Levels This Winter; Grim Forecast for Low Income Families* (Sep. 9, 2005).

⁹ National Energy Assistance Directors Association, *2005 National Energy Assistance Survey Report Key Findings* (2005).

¹⁰ National Energy Assistance Directors Association, *Estimated LIHEAP Recipients As A Percentage of Eligible Households (FY 2005)* (2005).

¹¹ Experts have estimated that the LIHEAP program would require an additional \$3.2 billion in FY 2006 to serve all eligible families and to keep up with increasing fuel costs. Center on Budget and Policy Priorities, *Out in the Cold: How Much LIHEAP Funding Will Be Needed to Protect Beneficiaries from Rising Energy Prices?* (Oct. 20, 2005).

¹² Office of Management and Budget, *FY 2006 Budget* (Feb. 2005).

¹³ In the Senate, on October 4, 2005, Senators Edward Kennedy and John Kerry offered an amendment to the HHS appropriations legislation that would have increased LIHEAP funding by \$3.2 billion. This amendment was rejected, with 49 Senators voting for it and 51 voting against it. U.S. Senate, *Roll Call Vote, Motion to Waive CBA re: Emergency Designation on Kerry Amdt. No. 2033; To provide for appropriations for the Low-Income Home Energy Assistance Program*. (Oct. 5, 2005). In the House, a similar amendment, by Reps. Rush, Green, and Markey was offered as the Committee on Energy and Commerce marked up the Committee's budget reconciliation legislation. This amendment also failed, on a party line vote, with 21 members voting for it and 28 against. Committee on Energy and Commerce *Full Committee Markup considering Title I, the Digital Television Transition Act of 2005; and to consider Title II, which will consist of Medicaid, Katrina health relief, and Katrina energy relief, Amendment #2* (Oct. 25, 2005).

PURPOSE AND METHODOLOGY

This report was prepared for Rep. Michael H. Michaud, who represents the 2nd Congressional District of Maine in the U.S. House of Representatives, which is located in northern Maine. At the request of Rep. Michaud, the report estimates the impact of increased heating costs on families in the congressional district.

The analysis in the report of the impact of high heating costs relies upon (1) data from the U.S. Census indicating the number of households in the congressional district that use natural gas, heating oil, and propane for heating and (2) data from the U.S. Energy Information Administration estimating the extent to which costs for these fuels will increase during the coming winter. The Energy Information Administration data provide regional estimates of the anticipated increase in fuel costs. The analysis assumes that the cost increases in the congressional district are the same as the cost increases in the region as a whole.

The report also includes estimates of both the number of families in the district that are eligible to receive assistance under LIHEAP and the number of families in the district that are likely to actually receive such assistance. These estimates are based upon (1) eligibility data from the U.S. Census and (2) data on the estimated funding shortfall from the Center on Budget and Policy Priorities and the National Energy Assistance Directors Association.

FINDINGS

High Home Heating Costs Will Affect over 200,000 Local Families.

This winter's increased heating fuel costs will affect hundreds of thousands of families in Rep. Michaud's district, costing them an average of hundreds of dollars each.

Data from the U.S. Census indicate that there are 211,000 families in Rep. Michaud's district that use heating oil for their home heating.¹⁴ Last winter, these families spent an average of \$1,237 to heat their homes.¹⁵ This winter, their heating costs are expected to average \$1,551 — an increase of \$314 (25%).¹⁶

¹⁴ U.S. Census, *supra* note 23.

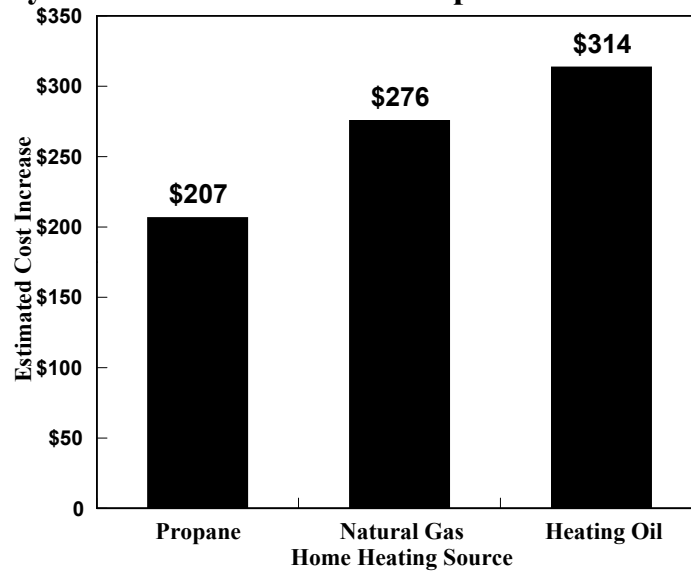
¹⁵ U.S. Energy Information Administration, *supra* note 1. ((Northeast region estimate).

¹⁶ *Id.*

There are 9,600 families in Rep. Michaud's district that use propane for their home heating.¹⁷ Last winter, these families spent an average of \$1,629 to heat their homes.¹⁸ This winter, their heating costs are expected to average \$1,836 — an increase of \$207 (13%).¹⁹

Similarly, there are 3,700 families in Rep. Michaud's district that rely on natural gas for their home heating.²⁰ Last winter, these families spent an average of \$1,029 to heat their homes.²¹ This winter, their heating costs are expected to average \$1,305 — an increase of \$276 (27%).²² Figure 1.

Figure 1: Home Heating Costs Will Increase By Hundreds of Dollars in Rep. Michaud's District



¹⁷ U.S. Census, *supra* note 23.

¹⁸ U.S. Energy Information Administration, *supra* note 1.

¹⁹ *Id.*

²⁰ U.S. Census, *House Heating Fuel (Data by Congressional District)*, Census 2000 Summary File 3 (2000).

²¹ U.S. Energy Information Administration, *supra* note 1 (Northeast region estimate).

²² U.S. Energy Information Administration, *supra* note 1.

Approximately 35,000 families in the district heat their homes using other fuel, including solar power, electric heat, and wood.²³ Families that use wood to heat their home are also experiencing significant cost increases, with reports indicating that firewood costs have increased by approximately \$75 per cord, or 60%.²⁴

High Home Heating Costs Will Cost Local Families almost \$75 Million

In Rep. Michaud's district, the cumulative costs of higher home heating bills will be large. In total, 224,000 local families will pay higher costs this winter for natural gas, propane, and heating oil. The aggregate increased cost for these families is estimated to be approximately \$69 million. This is an average of \$309 per family.

Some forecasters have predicted that this winter will be colder than average. If this occurs, heating costs for local families will further increase. A cold winter will increase fuel consumption, as families will have to burn more fuel to keep their homes warm. In addition, the increased demand will drive up fuel prices even higher. According to the estimates from the Energy Information Administration, home heating costs will increase by \$490 for families in the region that use natural gas in the event of a cold winter.²⁵ The cost increases for families that use propane and heating oil are even steeper, \$668 and \$692 respectively.²⁶ And in the event of a cold winter, even families that use electric heat can expect to see cost increases of approximately \$100 during the winter heating season.²⁷

The aggregate total increased costs for families in Rep. Michaud's district would be approximately \$155 million if there is a colder than average winter. This is an average of \$660 per family.

Over 40,000 Eligible Local Families Are Unlikely to Receive Assistance with High Home Heating Costs

²³ U.S. Census, *supra* note 23.

²⁴ Associated Press, *Heating Oil Prices Could Be 'Life or Death' This Winter* (Nov. 1, 2005)

²⁵ U.S. Energy Information Administration, *supra* note 5.

²⁶ *Id.*

²⁷ *Id.*

Last year, there were 124,000 low-income families in Maine eligible to receive financial assistance with home heating costs through the federal Low Income Heating and Energy Assistance Program (LIHEAP).²⁸ Over half of these families — almost 70,000 — did not receive the LIHEAP assistance for which they were eligible because of funding shortfalls.²⁹

In Rep. Michaud's district, there are approximately 78,000 families eligible to receive LIHEAP assistance.³⁰ Assuming the same coverage rates as last winter, 44,000 of these local families will not receive assistance.³¹

The actual number of families in Rep. Michaud's district who do not receive LIHEAP assistance may be even greater than 44,000. If LIHEAP funding levels are cut (as the President proposed) or do not increase significantly, LIHEAP funding will not keep pace with the rising fuel costs, which will force further cuts in assistance.

CONCLUSION

This report analyzes the impact of rapidly increasing costs for home heating fuels in Rep. Michaud's congressional district. It finds that increasing prices will cause district families to spend hundreds of dollars more to heat their homes. Districtwide, increased heating prices are likely to cost 211,000 local families an additional \$69 million this winter — and even more in the event of a cold winter. Although the federal heating assistance program was designed to provide low-income families with help in paying these high costs, underfunding of the program means that 44,000 eligible families in Rep. Michaud's district are unlikely to receive assistance from the program.

²⁸ National Energy Assistance Directors Association, *supra* note 10.

²⁹ *Id.*

³⁰ U.S. Census, *LIHEAP Eligibility by Congressional District* (2005). The Census analysis is based on 2000 Census data, which showed that two million families statewide were eligible for LIHEAP assistance, 3.2% in Rep. Michaud's district. In this analysis, the data was adjusted to 2005 eligibility levels, with the assumption that in 2005, 3.2% of statewide LIHEAP eligible families will be in Rep. Michaud's district.

³¹ This estimate assumes that the percentage of eligible households in the district who receive no assistance is the same as the percentage of eligible households in the state who receive no assistance.