

HEATMAP: KEEPING COLORADO WARM

DECEMBER 2018



Colorado
Fiscal Institute

INTRODUCTION

Being able to stay warm during the cold winters is something most of us take for granted. Unfortunately, for far too many people in our state, being able to maintain a comfortable temperature in their homes during winter is difficult. LIHEAP – the Low-Income Home Energy Assistance Program, known as the Low-Income Energy Assistance Program (LEAP) locally – helps keep families healthy and safe by aiding with the cost of heating their homes. But helping people pay the bills doesn't just provide economic stability for those struggling to afford the basics. LEAP is an investment in Colorado.

And thanks to this investment, LEAP leads to some critical supports for the more than 70,000 Colorado families participating in the program annually:

- \$41 million in direct energy assistance in 2018 alone.
- That translates to \$389 per family, making a big impact on their energy bills.
- \$27 million in direct economic impact and more than \$100 million in economic ripple effects.

As renewed threats to LIHEAP (and programs like it) emerge at the state and federal levels, it's more important than ever to establish a clear and common understanding of why it exists, how it is funded and administered, who is eligible to enroll, and how it impacts Colorado's economy.

This issue brief highlights why utility assistance matters so much to Colorado families and communities. LEAP doesn't just help those who are eligible to enroll in the program get the assistance they need, it also helps counteract the effects of economic downturns and recessions, which helps everyone who calls Colorado home.

This brief is part of a more comprehensive report detailing the expansive impact of programs, such as SNAP, TANF, Medicaid, and Medicare. These critical tools for lifting people out of poverty are too often discussed in the context of funding cuts. At their core, they represent vital public investments helping otherwise struggling families make ends meet.

If you want to do your part to protect these important tools, there are three things you can do:

1. Follow the Colorado Fiscal Institute on Facebook and Twitter and share this report with your friends and followers there (be sure to tag us when you do).
2. Contact your Congressional representatives to tell them these programs matter for Colorado families. They should protect them both for Coloradans in need, and for the health of our economy.
3. Find out when your member of Congress or your senators are holding a public forum where you can make your voice heard about this important issue.



HISTORY

Energy assistance to help with home heating and cooling costs is not a new concept. It started at the federal level in the 1970s with the OPEC Oil Embargo of 1973-1974. In 1973, many Middle East countries stopped exporting oil to the United States, causing the price of crude oil to jump from \$21.15 to \$49.18 per barrel [1]. By the time the embargo ended in 1974, the price of oil was more than four times the pre-embargo price.

Because of continuously rising energy costs, the state of Maine sought ways to help struggling families through the energy crisis. In 1973, the Maine Office of Economic Opportunity applied for federal funding to start a program called “Project Fuel.” Project Fuel assisted people with low incomes and elderly individuals and households with their energy needs. The program primarily focused on weatherization but funding was also used for crisis situations like utility shut-offs or natural disasters, and for fuel in emergencies.

Project Fuel jumpstarted the Emergency Energy Conservation Program (EECP), the first federal energy assistance program, in 1975. Similar to Maine’s program, EECP provided energy, weatherization, and efficiency assistance, but unlike Project Fuel, the program also provided fuel vouchers. Then, in 1979, the Department of Energy’s Weatherization Assistance Program (WAP) replaced the weatherization portions of EECP. This shift allowed EECP to focus on direct assistance for people earning low incomes by paying their energy bills.

Like the early 1970s, the late ‘70s again saw historically high energy costs. Congress responded in 1980 by appropriating \$1.6 billion to expand energy assistance. The funds were split between the Community Service Administration and the Department of Health and Human Services (HHS). This large influx of dollars was the turning point for energy assistance, changing what was primarily a response to crisis, into a broader approach focusing on long-term energy assistance. Continued concerns about energy costs resulted in the creation of the Low-Income Energy Assistance Program (LIEAP) in 1980 as part of the Crude Oil Windfall Profits Tax Act. Congress replaced LIEAP with the [Low-Income Home Energy Assistance Program](#) (LIHEAP) in 1981. Since then, LIHEAP has helped people earning low incomes with their home heating and cooling costs.

[1] https://liheapch.acf.hhs.gov/sites/default/files/webfiles/docs/History_of_LIHEAP.pdf

LIHEAP FUNDING, COSTS, AND ADMINISTRATION

LIHEAP is federally funded and manages costs by distributing funds directly to individual states. The administration, structure, and name of LIHEAP can vary from state-to-state, which is why Coloradans know it better as LEAP. The federal government allocates LIHEAP dollars to states as “lump sum” [block grants](#) [2]. The amount of each grant is based on three things:

1. The state’s weather
2. Fuel prices
3. The population of people earning low incomes in the state

The block grants are distributed over a two-year period – 90 percent is distributed in the first year and 10 percent in the second year. Energy assistance through LIHEAP is unique among supports for people earning low incomes because payments go directly to utility companies instead of to the families the dollars are intended to help (as is the case with food assistance or basic cash assistance). This means utility companies must participate in a state’s energy assistance program in order for families to benefit. Because most of the energy companies in Colorado participate in LEAP, the vast majority of Coloradans whose household incomes are below a certain level are eligible to receive help with their bills.

In 2015, Colorado families received \$41 million in energy assistance

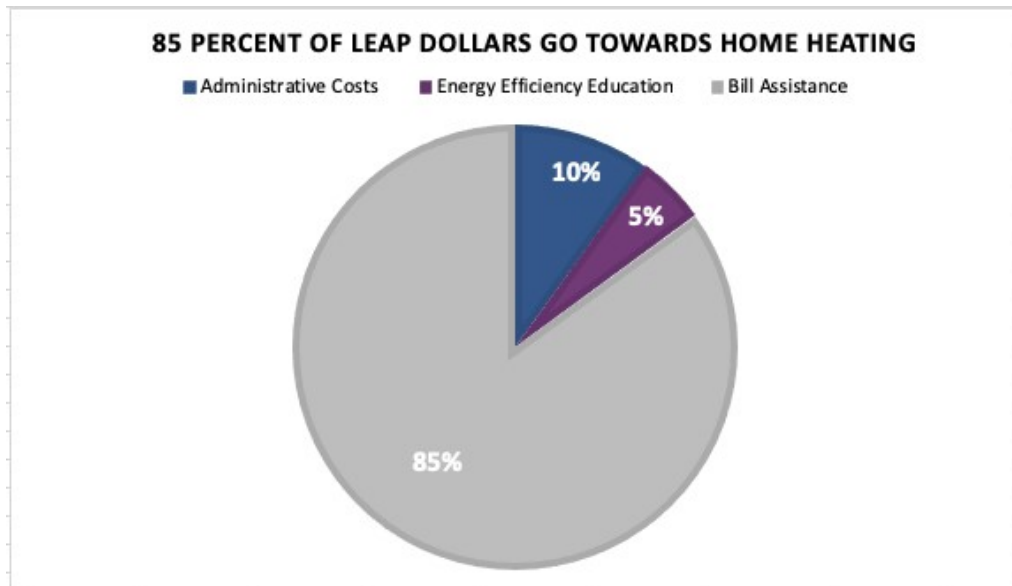
There are two types of LIHEAP benefits: regular benefits and emergency benefits, more commonly called cash benefits and crisis benefits. Regular benefits are distributed each annually on August 31. Emergency benefits are for families who need immediate assistance and are distributed on an as-needed basis. They help families who are at risk of having their utility shut off, have been impacted by a natural disaster, or are low on fuels such as propane [3]. Emergency funds are approved or rejected within 48 hours. The amount of regular and emergency benefits a state distributes can vary substantially. As of 2018, Colorado has received a maximum regular benefit of \$900 and a maximum emergency benefit of \$3,700 per family. Colorado does not currently receive LIHEAP funds for cooling except for medically necessary needs [4].

[2] https://www.acf.hhs.gov/sites/default/files/ocs/liheap_fact_sheet_031717.pdf

[3] https://www.payingforseniorcare.com/longtermcare/resources/liheap_financial_aid.html#title3

[4] <https://liheapch.acf.hhs.gov/tables/benefits.htm>

85 percent of Colorado’s LEAP dollars go directly towards heating homes. In 2015, Colorado received just over \$48.8 million for LEAP and of that \$41 million went directly to help families with home heating costs [5]. Figure 1 below shows the spending breakdown for LEAP dollars.



[5] <http://neada.org/wp-content/uploads/2015/09/CRS-LIHEAP-Formula.pdf>

ELIGIBILITY

LEAP eligibility is primarily based on income standards set by the federal government. The standards are to be no lower than 110 percent of the Federal Poverty Level (FPL) and no higher than 150 percent FPL [6]. Each state is able to choose an income level within that range. Based on these standards, benefits are available for families that make between \$27,800 (110 percent FPL) and \$37,650 (150 percent FPL) annually for a family of four in 2018. There is a certain amount of flexibility for states when it comes to determining which standards to use. For example, states can choose to use 60 percent of their state's median income (SMI) instead of the choosing a level between 110 and 150 percent FPL as the income standard for energy assistance. If a state chooses to use 60 percent SMI as the standard, then the income standard can be higher than 150 percent of the FPL. This increases the pool of families that may be eligible for assistance. Alternatively, households with elderly members are not required to meet the income eligibility standards. Colorado uses SMI, which is equal to 165 percent FPL as their income eligibility level for LEAP. This is about \$41,600 annually for a family of four [7].

While income level is the most common determinant of energy assistance eligibility, guidelines, unrelated to income can be used. For example, states can opt to automatically enroll households in LIHEAP if they already receive benefits from other federal programs like TANF, SSI, or SNAP. Additionally, some states may consider financial assets like real estate as a test for eligibility. Colorado was not one of the 20 states that implemented these types of eligibility guidelines in 2018 [8].

[6] <https://www.acf.hhs.gov/ocs/resource/liheap-eligibility-criteria>

[7] <https://drive.google.com/file/d/1T2gaSN0g4OT3uIH8rapkEp1W0Z02aiHi/view>

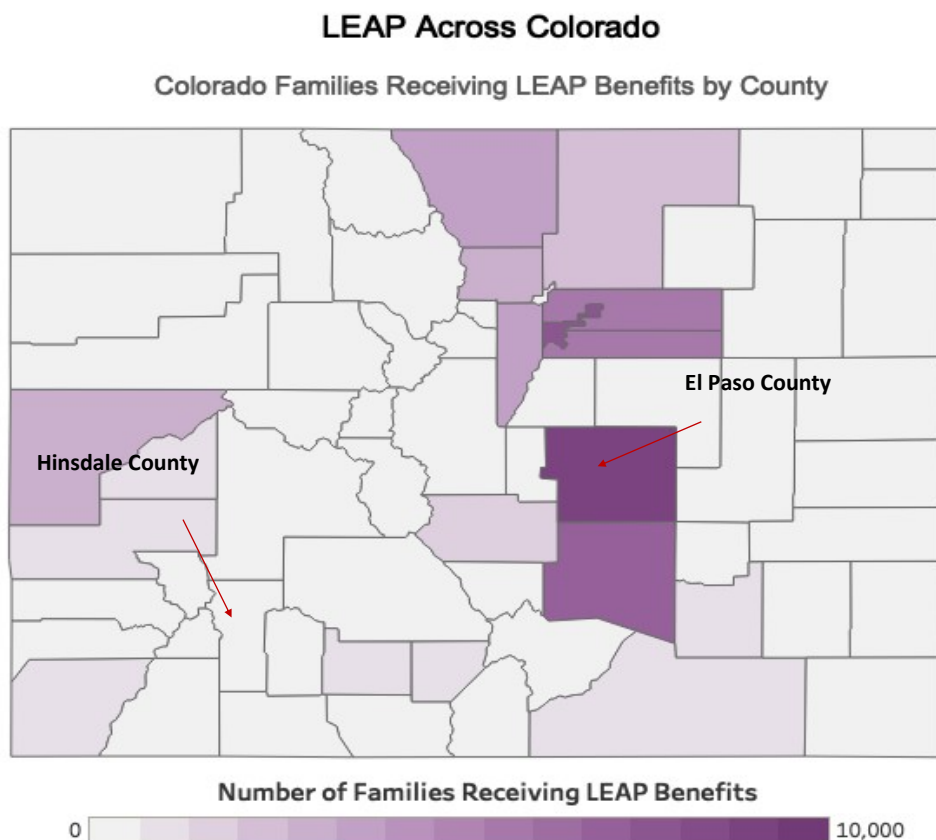
[8] https://liheapch.acf.hhs.gov/delivery/income_categorical.htm

HOW LEAP HELP COLORADANS

Coloradans struggling to pay their home heating bills can apply for LEAP energy assistance dollars annually during the heat season, November through April. LEAP works to keep Coloradans warm during the winter by helping with home heating costs and repair or replacement of inefficient heating equipment. While the LEAP program is not intended to cover the entire portion of a heating bill, it does work to reduce the burdens many Coloradans face as a result of older homes and increasing energy costs. In 2016, approximately 70,000 Colorado households received LEAP benefits that covered a portion of home heating costs, with an average LEAP benefit per household of \$389.

Currently, LEAP funds are only available for home heating costs. In order to meet both heating and cooling needs and provide additional help, Colorado created the nonprofit Energy Outreach Colorado (EOC). EOC attempts to fill the gaps when LEAP assistance is not available. Since its creation almost 30 years ago, [EOC has invested more than \\$255 million](#) in programs to reduce energy costs for Coloradans earning low incomes [9]. LEAP and EOC work in concert to ensure the critical economic stabilization provided by energy assistance doesn't come and go with the passing of seasons.

While families receive LEAP benefits across the state, the largest concentrations are near major metropolitan areas – Denver, Colorado Springs, and Grand Junction. Rural areas in particular have fewer LEAP recipients but the cost of heating is relatively higher. The maps show these differences in the number of families receiving LEAP and the average benefit per household in 2018. For example, Hinsdale County in south central Colorado had only 10 applications in 2018 compared to the 9,281 in El Paso County.

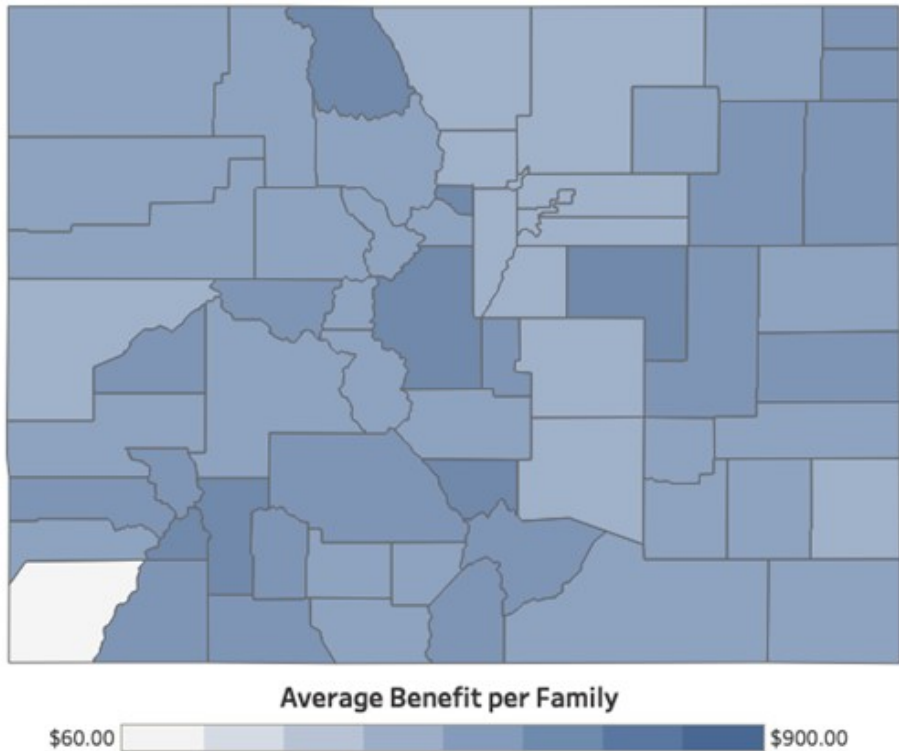


[9]https://www.energyoutreach.org/?gclid=Cj0KEQjw0lvIBRDF0Yzq4qGE4lwBEiQATMQIMTkVyIPMJy3Sgz_qa4FaW1PNkXYOffTarIY6VTZuP9AaAmXE8P8HAQ

Though the number of recipients is lower in rural communities, the average benefit is higher. The average annual assistance for families in Hinsdale County is \$800 annually, compared to \$560 in the more affluent El Paso County. The disparities in average benefit can be due to things like the cost of fuels, home age, or even energy efficiency upgrades.

LEAP Keeps Coloradans Warm in the Winter

The Average LEAP Benefit Colorado Families Receive



ECONOMIC IMPACT OF LEAP

LEAP dollars do more for Coloradans than just help them pay their heating bills. LEAP is an investment in Colorado that results in direct economic benefits for everyone whether they're struggling to make ends meet or not. Even though only slightly more than 3 percent of Colorado families depended on LEAP dollars for all or part of their utility bills in 2016, every dollar LEAP provides translates to more room in each family's budget. Families who would otherwise struggle just to heat their homes are instead able to better afford other necessities like rent, food, child care, and health care. LEAP provides economic stability for the families who need it most.

On average, LEAP adds \$389 dollars annually to Colorado families' budgets. When those dollars are freed up and spent elsewhere throughout the community, the result is an increase in direct economic activity. Using findings from a 2008 report which found each dollar of federal LIHEAP assistance generates \$3.90 of positive economic impacts in local communities, the average \$389 LEAP benefit invested in a community generates \$1,517 of additional economic activity [10]. At the state level, LEAP generates as much as \$27 million in direct economic activity and \$106 million in indirect economic spending. The table below shows the economic impact of 2018 LEAP dollars in Colorado.

Households in CO Receiving LEAP Benefits	Average LEAP Benefit Per Household	Total Direct Impact of LEAP Dollars	Total Indirect Impact of LEAP Dollars
70,000	\$389	\$27,230,000	\$106,197,000

[10] http://www.energy.com/global/our_community/advocate/Poverty_book.pdf

CONCLUSION

Even when times are good and the economy is expanding, energy costs remain a concern for many Coloradans, especially those living in older homes that lack energy efficient upgrades. Additionally, for people who rely on in-home medical equipment, being able to keep the power and the heat on can be the difference between life and death. LEAP is an important program that ensures Coloradans don't have to choose between keeping the heat on, feeding their families, or going to the doctor. Thanks to LEAP, Coloradans don't have to choose between heating their homes and putting food on the table or taking their family to see a doctor. When people don't have to worry as much about the temperature of their homes, they can focus on the important things. That's how our neighborhoods and communities thrive.

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The Colorado Fiscal Institute provides credible, independent and accessible information and analysis of fiscal and economic issues facing Colorado. We work for a Colorado where responsible fiscal and budget policies advance equity and widespread economic prosperity.

Contact us 720.379.3019 or visit www.coloradofiscal.org. Our offices are located at 1905 Sherman St., Suite 225, Denver, CO, 80203.