



Association for Children of New Jersey

HEAT OR EAT ENERGY INSECURITY IN NEW JERSEY

ACNJ POLICY BRIEF

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EXECUTIVE SUMMARY

Low-income families in New Jersey face energy insecurity. On top of the state's high housing costs, most low-income families in New Jersey are directly responsible for paying their own heat. They have to decide each month which expenses they can meet and which they can't: Child care? Housing? Food? Transportation? Utilities? Their dilemma – heat or eat – is getting worse as home-heating costs rise.

Home heating costs have increased along with the price of oil. The increases have resulted in more New Jersey families falling behind on utility bills and, in many cases, having their heat and lights cut off as a result.

Low-income New Jersey families need assistance to keep their homes heated and lights on. But energy support programs have dangerously unstable funding.

ACNJ RECOMMENDATIONS

At the state level:

- *Set an adequate allocation for New Jersey State-wide Heating Assistance and Referral for Energy Services (NJ SHARES) to eliminate the \$10 million structural deficit and provide sufficient annual funding for this crucial program. A stable source of funding will allow NJ SHARES to stop turning away eligible families as it does now when its money runs out.*
- *When federal funding is increased for the Low-Income Home Energy Assistance Program (LIHEAP) and the Universal Service Fund (USF), New Jersey should raise the eligibility level from 175 percent of the federal poverty level to the federal maximum of 60% of New Jersey's median household income (equivalent to approximately 250 percent of the federal poverty level). This will permit more low-income families to qualify for assistance.*

At the federal level:

- *Fund LIHEAP at the full amount as authorized by the 2005 Energy Policy Act (\$5.1 billion). This will keep federal allocations to the states in step with increasing energy costs.*
- *Assure that any federal climate-change legislation treats low-income families fairly. Federal policy that encourages clean and efficient energy must include adequate safeguards for households who already pay a disproportionate share of their income for energy.*

INTRODUCTION

Low-income families in New Jersey struggle with energy insecurity. It is reflected in a recent report by the U.S. Department of Health and Human Services: Millions of families began this winter still owing high amounts from last winter's heating bills. The National Energy Assistance Directors' Association (NEADA) estimates 1.2 million households were disconnected from electric and natural gas service from March through May of 2007 because they were unable to pay their utility bills.

At the same time that families are dealing with greater energy insecurity and the question each month - heat or eat? - funding for heating subsidies has become less stable. Nationally, the federal Low-Income Home Energy Assistance Program (LIHEAP) had its funding reduced from \$3.2 billion to \$2.2 billion in FY 2007.¹

ENERGY AND LOW-INCOME FAMILIES

On top of having to pay the state's very high housing costs, most low-income families in New Jersey are directly responsible for their own heat. More than three-quarters of households earning up to 175% of the federal poverty level, or \$36,138 for a family of four, were responsible for paying their own heat in 2006. Even among low-income households who rent, close to two-thirds, 62%, pay their own heat directly.

HOUSEHOLDS IN NEW JERSEY ELIGIBLE FOR THE LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

	2006
Number of households at or below 175% of poverty level	552,503
Number of these households who rent	335,589
Percentage of households that rent	61%
Number of renting households paying their own heat	207,165
Percent of renting households paying their own heat	62%
Number of all low-income households paying their own heat	424,079
Percent of all low-income households paying their own heat	77%

Source: Special tabulations of the US Census American Community Survey developed by APPRISE for ACNJ, November, 2007

The burden on low-income families has risen along with the price of fuel. Higher energy costs have created an exceptional burden on low-income families – especially those responsible for their own heating bills. Between 2004 and 2006, New Jersey fuel oil prices rose 56 percent and natural gas increased by 36 percent. The price of electricity rose only 7 percent during the heating season but shot up 25 percent during the cooling season.

NEW JERSEY FUEL PRICES: 2004 - 2006				
TYPE OF FUEL	COST Per Unit			%Increase
	2004	2005	2006	From 2004
Natural Gas (100 cubic feet)	\$1.111	\$1.178	\$1.507	36%
Electric-heating season (kilowatt hour)	\$0.107	\$0.106	\$0.114	7%
Electric-cooling season (kilowatt hour)	\$0.120	\$0.132	\$0.148	23%
Propane (gallon)	\$1.701	\$1.776	\$2.134	25%
Fuel Oil (gallon)	\$1.555	\$1.971	\$2.426	56%

Source: Fisher, Sheehan & Colton, The Home Energy Affordability Gap, New Jersey, April 2007

Although home fuel prices increase every year, it is only recently that there have been huge price jumps. For example, the price of natural gas in New Jersey rose 22 percent over the ten years ending in 2003.² But in 2005 it jumped 6 percent. From 2005 to 2006, it skyrocketed 28 percent.

Fuel costs could further rise in the near future because of proposed legislation to encourage energy efficiency and reduce dependency on fossil fuels. While such policy is necessary to protect the environment, any cost increases to consumers will pose special challenges for low-income households because they spend a larger share of their budgets on energy than most households.³

Energy cost increases have caused more New Jersey families to fall behind on their utility bills and have their service cut off as a result. More than half, 57 percent, of New Jersey’s residential gas and electric customers are served by the Public Service Electric and Gas Company (PSE&G).⁴ The debt for PSE&G residential customers was \$84.7 million as of October 1, 2001; by April 1, 2002, it had risen 17 percent to \$99.2 million. Similarly, terminations for PSE&G customers increased from 78,008 to 85,605 (10 percent) over the same period. In 2005, terminations jumped to 118,873 – a 52 percent increase over 2001.⁵

As PSE&G provides both electricity and gas, termination data could represent gas or electric service, or both. It is also possible that a customer could be terminated for electric only, but couldn’t heat their home because they do not have the electricity necessary to ignite their gas heater.⁶

EFFECTS OF ENERGY INSECURITY ON FAMILIES

In “heat or eat” situations, families strive in vain for a safe balance between paying for energy and paying for food and other essentials. Some resort to alternative heat sources, such as kitchen ovens. This jeopardizes their children’s health and safety by increasing the risk of fires, burns, and carbon monoxide poisoning. Even when families avoid these catastrophic outcomes, children can suffer from extreme temperatures, poor ventilation, and unsafe food due to inadequate refrigeration and lack of energy for cooking.

In efforts to pay for energy, parents buy less food. Food is often the only elective part of a poor family’s budget. This survival strategy may carry long-term negative consequences. When parents are forced to limit food, children’s growth and development suffers. For many families, a chronic shortage of both energy and food is unavoidable.⁷ Young children from families that are eligible for but not enrolled in energy assistance are more likely than children from families receiving LIHEAP to be underweight and more likely to need hospital admission on the day of a health care visit.⁸

UNSTABLE FUNDING OF ENERGY ASSISTANCE PROGRAMS

Low-income New Jersey families need energy assistance programs to keep their homes heated and lights on.

NJ SHARES: This critical program lacks sufficient funding to provide grants for many eligible applicants. It currently has a \$10 million operating deficit. This forces it to turn away thousands of New Jersey families who need help to avoid losing utility services due to unforeseen financial emergencies.⁹

NJ SHARES has several funding sources but none are stable enough to adequately support it. The state sets aside up to 75 percent of unclaimed utility deposits for NJ SHARES to use as grants to eligible households. The program also receives tax-deductible contributions from individuals, corporations, and utilities. The seven major investor-owned New Jersey utility companies contribute towards the administrative costs of running this nonprofit organization and provide matching funds for their customer’s contributions.¹⁰

LIHEAP: LIHEAP funding is set at a fixed level by Congress each year. Because the dollar amount is fixed, the program’s purchasing power for energy declines as prices rise. Similarly, when the number of households receiving assistance increases, the average benefit is reduced.

With heating costs increasing and the number of households needing energy assistance on the rise, LIHEAP is more vital than ever. But the federal government has gone in the opposite direction. In FY 2007, LIHEAP’s funding was cut 30 percent. For New Jersey, that meant a reduction from \$105 million in 2006 to \$76 million in 2007.¹¹

States called upon Congress to increase LIHEAP funding

from the \$2.2 billion in FY 2007 to \$5.1 billion in FY 2008 as authorized by the 2005 Energy Policy Act.¹² But the appropriation that was ultimately passed and signed by the president in December is far less, \$2.6 billion.

The federal government needs to fully fund LIHEAP, and New Jersey needs to raise the eligibility ceiling.

In Federal Fiscal Year (FFY) 2006, an estimated 628,690 households in New Jersey were eligible for LIHEAP but only a quarter of these, 165,000, were served.¹³ A primary reason is the lack of adequate funding.

The true number of New Jersey households who could qualify for LIHEAP is much greater. Federal rules allow states to set their eligibility standards up to 60 percent of the state's median household income, 150 percent of the federal poverty level, or anywhere in between. New Jersey chose to set its standard at 175 percent of the federal poverty level (\$36,138 for a family of four). If the state were instead to set a ceiling at 60 percent of the median household income, an estimated 1,100,117 New Jersey households would have been eligible for LIHEAP in 2006. By that measure, only 15 percent of eligible households in the state were served in 2006. Connecticut, similar to New Jersey in income level and living costs, uses the eligibility standard of 60 percent of state median income. That translates to 257 percent of the federal poverty level.¹⁴

See "Energy Assistance Programs in New Jersey" on back page for full description of LIHEAP, NJ SHARES and three other critical programs, the Universal Service Fund (USF), New Jersey Comfort Partners and New Jersey Lifeline.

ACNJ RECOMMENDATIONS

At the state level:

- *Set an adequate allocation for New Jersey Statewide Heating Assistance and Referral for Energy Services (NJ SHARES) to eliminate the \$10 million structural deficit and provide sufficient annual funding for this crucial program.* A stable source of funding will enable NJ SHARES to stop turning away eligible families as it does now when its money runs out.
- *When federal funding is increased for the Low-Income Home Energy Assistance Program (LIHEAP) and the Universal Service Fund (USF), New Jersey should raise the eligibility level from 175 percent of the federal poverty level to the federal maximum of 60% of New Jersey's median household income (equivalent to approximately 250 percent of the federal poverty level).* This will permit more low-income families to qualify for assistance.

At the federal level:

- *Fund the Low-Income Home Energy Assistance Program (LIHEAP) at the full amount as authorized by the 2005 Energy Policy Act (\$5.1 billion).* This will keep federal allocations to the states in step with increasing energy costs.
- *Assure that any federal climate-change legislation treats low-income families fairly.* Any federal policy that encourages clean and efficient energy must include adequate safeguards for households who already pay a disproportionate share of their income for energy.

FOR ADDITIONAL INFORMATION

LIHEAP and USF: http://www.state.nj.us/dca/dcr/hea/liheapfact_income.shtml;

or call 1-800-510-3102 (LIHEAP) or 1-866-240-1347 (USF)

NJ SHARES: <http://www.njshares.org>; or call 1-866-NJSHARES

NJ COMFORT PARTNERS:

<http://www.njcleanenergy.com/residential/programs/comfort-partners/comfort-partners>; or call the local utility company that supplies heat.

NJ LIFELINE: <http://www.state.nj.us/bpu/assistance/programs/>, or call 1-800-792-9745

AVOIDING UTILITY SHUTOFFS IN NEW JERSEY: an on-line guide for individuals and the social service community - http://www.njcommunityresources.info/utility_shutoff.html

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References

¹ <http://liheap.ncat.org/newslett/63net.htm> (accessed November 26, 2007)

² <http://tonto.eia.doe.gov/dnav/ng/hist/n3010nj3A.htm> (accessed November 27, 2007)

³ <http://www.cbpp.org/10-25-07climate.htm> (accessed November 27, 2007)

⁴ As per the allocation formula used by New Jersey Statewide Heating Assistance and Referral for Energy Services (SHARES)

⁵ National Association of Regulatory Utility Commissioners, Report by the NARUC Consumer Affairs Subcommittee on Collections Data Gathering by States 2006, approved for release July 17, 2007. pp.47-8

⁶ Explanation provided by NJ SHARES Executive Director Jim Jacob

⁷ Children's Sentinel Nutrition Assessment Program, Fuel for Our Future, September, 2007

⁸ National Energy Assistance Director's Association (NEADA), Issue Brief: The Low Income Home Energy Assistance Program, November 26, 2007 p. 12

⁹ NJ SHARES memorandum to the NJ Board of Public Utilities, October 29, 2007

¹⁰ <http://www.njshares.org/aboutNJShares/faq.asp> (accessed November 28, 2007)

¹¹ National Energy Assistance Director's Association (NEADA), Issue Brief: The Low Income Home Energy Assistance Program, November 26, 2007 pp. 1-4

¹² <http://www.cbpp.org/11-8-07bud.htm> (accessed December 11, 2007)

¹³ Please note that the estimated number of New Jersey households at or below 175% of the federal poverty level shown here differs from the number shown earlier in this report for two reasons: the source is different (US Dept. of Health and Human Services); and the time period is different (a federal fiscal year runs from October 1 through September 30).

¹⁴ National Energy Assistance Director's Association (NEADA), The Low Income Home Energy Assistance Program, February 9, 2007 pp. 8-10

ENERGY ASSISTANCE PROGRAMS IN NEW JERSEY

PROGRAM	ELIGIBILITY CRITERIA	PROGRAM BENEFITS	PROGRAM DETAILS
LIHEAP (Low-Income Home Energy Assistance Program)	The applicant household must be responsible for home heating or cooling costs, either directly or in the rent, and have gross income up to 175 percent of the federal poverty level (\$36,138 for a family of four). Persons who live in public housing or receive rental assistance are not eligible unless they pay their own energy costs directly to the fuel supplier.	The amount of the benefit is determined by income, household size, fuel type, and heating region. Benefits are normally paid once a year during the heating season. ⁱ	In Federal Fiscal Year (FFY) 2006, LIHEAP served 165,000 households in New Jersey – just 26 percent of the estimated 628,690 eligible households. ⁱⁱ This year, the application period is November 1, 2007 to March 30, 2008.
USF (Universal Service Fund)	The LIHEAP application is also an application for USF. To be eligible for USF, a household must meet same income guidelines as LIHEAP, and pay more than 3 percent of annual gross income for electric or more than 3 percent for natural gas. A household with electric heat must spend more than 6 percent of annual gross income on electricity to be eligible.	Benefits paid monthly throughout year. Monthly amount is based on household income and the applicant's annual electric and natural gas bills. USF benefit amount is reduced by the applicant's LIHEAP grant. ⁱⁱⁱ	During 2005, the program served 120,000 households and provided USF credits totaling \$74 million, plus \$22 million for payment of overdue utility bills. ^{iv}
NJ SHARES (New Jersey Statewide Heating Assistance and Referral for Energy Services) A statewide, year-round independent energy fund that benefits individuals and families living in New Jersey.	Grants are provided to New Jersey residential energy customers who are experiencing a financial crisis, have exhausted all other available sources of assistance and have demonstrated a good faith effort to pay their utility bills.	Grants are up to \$700 for gas, up to \$300 for electric, or up to \$700 for electrically heated homes. Applicants must agree to comply with payment arrangements in order to receive a grant to maintain or restore service. ^v In 2006, 89 percent of households who received SHARES grants were employed. 62 percent had household incomes below 250 percent of the federal poverty level.	In 2005, the average utility bill balance for all grantees at the time of grant application was \$892, with 29 percent of applicants having balances higher than \$1,000. For 2006, 35 percent of grantees had balances higher than \$1,000, and the average balance for all grantees was \$993. ^{vi}
New Jersey Comfort Partners Designed to improve energy affordability for income eligible households through the direct installation of energy efficiency measures, personalized customer energy education and counseling.	Eligibility is limited to households at or below 175 percent of the federal poverty level.	Program participants receive direct installation of cost-effective energy efficiency measures in their home (determined on home-specific basis) which can include: efficient lighting products; hot water conservation devices; replacement of inefficient refrigerators; thermostats; and insulation upgrades. Comfort Partners also provides comprehensive, personalized energy education and counseling; and account balance reduction for qualified participants who agree to payment plans. All efficiency measures and energy education services are provided free of charge. ^{vii}	\$2 million in state funding was appropriated and spent in 2006. ^{viii}
New Jersey Lifeline	To be eligible for Lifeline, an applicant must be a New Jersey resident; 65 years of age or older or 18 years of age or older and receiving Social Security Title II Disability benefits; and, for 2007, have an annual income of less than \$22,572 if single or less than \$27,676 if married. ^{ix}	Lifeline offers \$225 in benefits to eligible senior and disabled New Jerseyans. This includes utility customers as well as tenants whose utility bills are included in their rent. Benefits are provided for only electricity and natural gas. ^x	Approximately 314,000 people received over \$70 million in Lifeline benefits last year.

ⁱ http://www.state.nj.us/dca/dcr/hea/liheapfact_income.shtml (accessed November 27, 2007)

ⁱⁱ Please note that the estimated number of New Jersey households at or below 175% of the federal poverty level shown here differs from the number shown earlier in this report for two reasons: the source is different (US Dept. of Health and Human Services); and the time period is different (a federal fiscal year runs from October 1 through September 30).

ⁱⁱⁱ <http://www.state.nj.us/humanservices/dfd/Lowincomeengyassist.html> (accessed November 27, 2007)

^{iv} <http://liheap.ncat.org/dereg/states/njersey.htm> (accessed November 1, 2007)

^v <http://www.njshares.org/aboutNJShares/faq.asp> (accessed November 28, 2007)

Applied Public Policy Research Institute for Study and Evaluation (APPRISE), NJ SHARES Evaluation - October 25, 2007 (Powerpoint presentation)

^{vi} <http://www.njcleanenergy.com/residential/programs/comfort-partners/comfort-partners> (accessed November 28, 2007)

Corzine, Jon S., Fiscal Year 2007-2008 New Jersey Budget p. D-438

^{vii} <http://www.state.nj.us/health/seniorbenefits/lifeline.shtml> (accessed December 12, 2007)

^{viii} <http://www.state.nj.us/bpu/assistance/programs> (accessed December 12, 2007)

^{ix} <http://www.state.nj.us/health/seniorbenefits/lifeline.shtml> (accessed December 12, 2007)

^x <http://www.state.nj.us/bpu/assistance/programs> (accessed December 12, 2007)