



FINAL REPORT

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP) AND WEATHERIZATION PROGRAM INTERIM STUDY COMMITTEE

February 2007

MEMBERS:

Senator Nancy Boettger, Co-chairperson
Senator Jack Hatch, Co-chairperson
Senator Jeff Angelo
Senator Roger Stewart

Representative Ralph Watts
Co-chairperson
Representative Tom Schueller
Representative Doug Struyk
Representative Walt Tomenga
Representative John Whitaker

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Legislative Services Agency–
Legal Services Division.

Authorization and Appointment

The Low-Income Home Energy Assistance Program (LIHEAP) and Weatherization Program Interim Study Committee was created by the Legislative Council and charged to review issues involving the Low-Income Home Energy Assistance Program (LIHEAP) and Weatherization Program including financial assistance, the application and intake processes, the community action agencies' assessment and resolution proposal, and whether to involve the Department of Human Services in the administration of the programs to enable low-income persons to access additional assistance programs through a single location.



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I. Committee Proceedings.

The Committee was authorized to conduct two meetings during the 2006 Legislative Interim. The Committee met on Wednesday, October 11, 2006, and on Wednesday, November 29, 2006, in Room 305 of the State Capitol.

II. October 11, 2006, Meeting.

Overview. The Committee received testimony from various persons involved with the state's LIHEAP and Weatherization Assistance Program (WAP). The testimony specifically addressed issues concerning the application and intake process, eligibility for and use of program funds, and the role of entities involved with the programs in various capacities.

Iowa Department of Human Rights (DHR). Mr. William Brand, Administrator, Division of Community Action Agencies, DHR, gave an overview of the Division, which among other duties administers LIHEAP and WAP in Iowa. The programs are primarily federally funded, although a state supplemental appropriation which the agency received for FY 2005-2006 for LIHEAP was especially appreciated in view of huge increases in energy costs last winter.

Bureau of Weatherization. Mr. Jim Newton, Bureau Chief, Bureau of Weatherization, Division of Community Action Agencies, DHR, gave an overview of WAP. The premise of the program is to increase the energy efficiency of a client's home and thus reduce that client's long-term energy costs. Mr. Newton testified that the program:

- Provides computerized energy audits in a client's home.
- Arranges for implementation of various energy-efficiency measures such as installation of insulation and high-efficiency furnaces.
- Is implemented by 18 local community action agencies.
- Has a critical need for transferred LIHEAP funds that allow more flexibility in meeting clients' needs.
- Saves \$1.80 in energy costs for every \$1.00 spent on energy measures.

Bureau of Energy. Mr. Jerry McKim, Bureau Chief, Bureau of Energy, Division of Community Action Agencies, DHR, provided an overview of LIHEAP. Iowa LIHEAP:

- Has one of the highest participation rates of eligible households in the United States.
- Has the lowest administrative costs in the Midwest and one of the lowest in the country.
- Is authorized by Iowa law to transfer up to 15 percent of its funding to WAP.
- Collaborates with Department of Human Services (DHS) to obtain more federal funding for other needs of low-income Iowans.
- Is collaborating with the Department of Public Health (DPH) to correlate health problems with inability to pay energy costs.
- Provides aid to the working poor, not just people on welfare.
- Is conducting a pilot project concerning the impact of the program on households over time.
- Conducted a nationally replicated study in 1999-2000 surveying what households do without in order to pay their energy costs.



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Iowa Community Action Association. Ms. Lana Ross, Executive Director, Iowa Community Action Association, stated that the association represents 18 community action agencies that are overseen by DHR. The association:

- Assists eligible households in applying for a variety of services including LIHEAP and WAP.
- Has offices in all 99 Iowa counties.
- Created the Developmental Assessment Resolution Program (DARP) as a pilot project with \$500,000 funding from LIHEAP to assist 2,500 low-income families in developing financial skills to manage their energy costs.

Department of Human Services. Mr. Robert Krebs, Deputy Administrator, Division of Financial, Health, and Work Supports, DHS, testified that DHS has local offices in all 99 counties where income maintenance workers determine eligibility of households for the Family Investment Program (cash assistance), food assistance, medical assistance (Medicaid), and child care assistance. The current relationship of DHS to LIHEAP is to inform applicants of LIHEAP's availability and make referrals to local LIHEAP offices. DHS has concerns with any increased involvement of DHS with LIHEAP because:

- Current DHS worker caseloads are already too high to add LIHEAP.
- DHS and LIHEAP program requirements, geographical service areas, and information systems are different.
- Logistical issues of space and shared costs exist due to county responsibility to provide DHS office space.

DHS recommends:

- Utilizing existing initiatives to maximize use of resources and avoid duplication of effort.
- Focusing on development of "virtual" rather than physical "one-stop" service centers.
- Stationing LIHEAP workers at local DHS offices.

Iowa Utility Association. Ms. Teresa Anderson, Manager, Credit and Remittance Operations, MidAmerican Energy Company, testified on behalf of the Iowa Utility Association from the perspective of the investor-owned utilities. Utilities communicate electronically with LIHEAP each week for approval and payment information, and utility websites are available for LIHEAP to gather client data and post approvals. The Iowa Utilities Association recommends:

- Applying a consistent approach among all agencies for processing and posting approval and payment files to the bulletin board.
- Conversion to one software system for Iowa LIHEAP.
- Requiring LIHEAP applicants to be the utility's customer of record.
- Distributing LIHEAP funds in a way that encourages clients to continue to make utility payments during the winter moratorium.
- Considering customer payment history in determining eligibility for crisis funds.
- Daily instead of weekly processing of approved files by LIHEAP.
- Developing a joint media message with LIHEAP to encourage eligible households to apply.



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Iowa Association of Municipal Utilities. Mr. Bob Haug, Executive Director of the Iowa Association of Municipal Utilities, testified that the association is a nonprofit organization whose members operate municipal gas and electric utilities in Iowa. The association promotes enforcement of energy-efficient building standards in new buildings and energy efficiency measures and weatherization in old buildings. There is a problem with rental properties where the tenant runs up a big bill taking advantage of the winter moratorium and leaves in the spring without ever making a utility payment. Mr. Haug recommended that monthly payments in some amount be required of all customers during the moratorium and that eligibility for the moratorium should be based on eligibility for LIHEAP funds.

Iowa Association of Electric Cooperatives. Mr. Regi Goodale, Director of Regulatory Affairs, Iowa Association of Electric Cooperatives, testified that the association is comprised of locally owned, nonprofit electric utility cooperatives that serve member-consumers in all 99 Iowa counties. Member electric cooperatives work with members on billing options and energy efficiency programs, including education and training. Members are installing renewable electric generation systems and looking at alternative heating and cooling systems to deal with rising fuel costs. While affordability is a serious issue, the cooperatives receive very little LIHEAP money since they provide only electricity.

Iowa Propane Gas Association. Mr. Lynn Sheets, Petroleum Manager, Sully Cooperative Exchange, testified on behalf of the Iowa Propane Gas Association. The association is comprised of over 300 independent propane dealers. The sale and distribution of propane gas is not regulated by the state. A propane dealer does not have an assigned geographical territory or rate structure like utilities do, and faces brutal competition. Iowa has some of the least expensive propane gas in the United States, in part due to the fact that it is delivered to the state via a pipeline rather than by truck. Many factors affect propane price such as weather, war, and the annual harvest. Propane tank rent cannot be paid with LIHEAP funds. When a propane tank runs too low, this necessitates a tank check and tank check fees before refilling. Mr. Sheets joined in the recommendation by the Iowa Utility Association that an Internet "bulletin board" showing LIHEAP approvals would be helpful to propane dealers. Mr. Sheets opined that LIHEAP could better time its prebuys of propane by working with the DNR. In response to a question, Mr. Sheets stated that the association would work with the Legislative Services Agency (LSA) to try to get data about the number of households that use propane, and how much LIHEAP money goes to propane dealers.

Department of Public Health. Ms. Lynh Patterson, Legislative Liaison, DPH, testified that DPH engages in collaborative efforts with DHR, such as DARP. Ms. Patterson testified about the public health risk involved with the disconnection of utilities. DPH is adding two questions to the federal health risk survey asking how many households had suffered utility disconnection because of inability to pay and whether a household used unsafe alternatives as a result. DPH is also collaborating with the University of Iowa College of Public Health to study the public health impact of utility disconnections and produce a white paper.



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Bureau of Energy. Mr. McKim presented a fiscal analysis of LIHEAP in Iowa. In response to earlier testimony and discussion, Mr. McKim opined that since Iowa already has one of the highest participation rates in the program, encouraging more participation would only dilute benefits for everyone. He noted that approximately 15 percent of LIHEAP participants heat with propane, and that people usually do make partial utility payments during the moratorium. He has pledged to fund DARP with \$500,000 of LIHEAP assessment resolution funding. The 2007 fiscal outlook for LIHEAP suggests continued rising costs for fuel and decreased federal funding. Mr. Brand testified that he would not advocate failing to transfer LIHEAP funds to WAP since that would reduce long-term solutions to energy problems and WAP has a critical need for the flexibility LIHEAP funds allow to carry out its mission.

Committee Discussion and Adjournment. Co-chairperson Hatch requested that LSA perform the following tasks in preparation for the next meeting of the Committee:

- Prepare a bill draft codifying the DARP pilot project as a statewide program with an appropriation.
- Verify information received from the Bureau of Energy.
- Obtain further information on how many households in the state use propane and where the users are located.
- Suggest options to obtain increased funding for LIHEAP.

III. November 29, 2006, Meeting.

Overview. During the second and final meeting of the Committee, the Committee received testimony from representatives of the Iowa Propane Association and a representative of the Department of Human Services, reviewed and discussed proposed legislation, and voted on recommendations to be contained in the Committee's final report to the General Assembly.

Iowa Propane Association. Mr. Tom Dunn, Ferrellgas, Des Moines, and the safety director for the Iowa Propane Gas Association, testified on behalf of the association. Mr. Dunn presented information concerning the propane industry generally, including pricing data, and explained how the association is organized.

Mr. Dunn presented legislation proposed by the association to establish the Iowa Propane Education and Research Council (PERC) and also:

- Provide for the development of propane-related programs and projects.
- Provide for an assessment on the sale of odorized propane of 1/10 of one cent per gallon to finance the activities of the council.
- Provide penalties for violations of the proposed legislation.

Mr. Scott Waskow, Advantage FS, Waverly, also testified on behalf of the association. Mr. Dunn and Mr. Waskow testified concerning the particular challenges and safety concerns that arise when propane tanks that are empty or have been shut off need to be refilled. Mr. Dunn indicated that such situations often occur as emergencies that are not within regular business hours or scheduled delivery routes and require time-consuming safety inspections before the tank can be refilled. Mr. Dunn indicated that better communication between community action



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agencies that deal with low-income customers and propane dealers might avoid some emergency fill requests.

Department of Human Services (DHS). Mr. Krebs responded to questions about DHS' collaboration with LIHEAP and intention to build on existing relationships with LIHEAP to assist low-income Iowans.

Discussion. In response to questions, Mr. McKim discussed the two questions that are being added to the National Center for Disease Control health risk survey by the DPH in collaboration with the bureau. Mr. McKim stated that the purpose of the questions is to see whether there is a correlation between the fact that a household has had its utilities disconnected and the incidence of health problems for members of that household.

Proposed Legislation. The Committee considered legislation proposed by Co-chairperson Hatch (LSB 1064IC) to establish an energy utility assessment and resolution program for certain persons with low incomes who have or need a deferred payment agreement to address home energy utility costs and to make an appropriation to fund the program.

Co-chairperson Hatch explained that the purpose of the bill is to codify the Developmental Assessment Resolution Program (DARP) currently being implemented as a pilot project with \$500,000 funding from LIHEAP to assist 2,500 low-income families in developing financial skills to manage their energy costs. He stated that the bill would expand DARP statewide with a \$1 million appropriation from the General Fund of the state to assist an additional 5,000 families for fiscal year 2007-2008. Ms. Ross, who administers DARP, explained the components and eligibility requirements of DARP and responded to questions about the pilot project. Ms. Ross and Mr. McKim indicated that all funds appropriated for DARP will be spent to provide services and not on administrative expenses. Ms. Ross stated that the program will be evaluated by looking at outcomes for participants in the program such as the number of participants who are involuntarily disconnected from their utilities, are current on utility payment plans, and are current on their utility bills.

IV. Committee Recommendations.

- **LSB 1064IC.** The Committee passed a motion recommending passage of LSB 1064IC by the General Assembly, as amended by adding a new lettered paragraph requiring program participants to make uninterrupted, regular utility payments while participating in the program and adding a sunset provision to repeal the program in three years. (A copy of LSB 1064IC, as amended, is attached to this report.)
- **Iowa Propane Education and Research Act.** The Committee passed a motion recommending passage of the "Iowa Propane Education and Research Act" by the General Assembly, as amended by adding a provision requiring the proposed Iowa Propane Education and Research Council to develop programs and projects that provide assistance to people who are eligible for LIHEAP. (A copy of LSB 1424IC is attached to this report.)



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V. Materials Filed with the Legislative Services Agency–Legal Services Division.

The following list of materials was distributed at or in connection with the Committee meetings. The materials may be accessed on the Internet from the <Additional Information> link on the Committee's Internet page:

<http://www.legis.state.ia.us/asp/Committees/Committee.aspx?id=155>

1. Memo re: LIHEAP Assistance/Type of Fuel Subsidized, from Mr. Jerry McKim, Bureau Chief, Bureau of Energy Assistance.
2. "On the Brink: 2005, The Home Energy Affordability Gap", April 2006, From Mr. Jerry McKim.
3. Petroleum Profile: Iowa, from the United States Department of Energy.
4. "Propane Exceptional Energy" from Iowa Propane Association.
5. Iowa Code Section 101.13.
6. Remarks on IDHR and IDPH Collaboration before the LIHEAP and Weatherization Program Interim Study Committee on Oct 11, 2006 from Ms. Lynh Patterson.
7. LSB 1064IC - An Act establishing an energy utility assessment and resolution program for certain persons with low incomes who have or need a deferred payment agreement to address home energy utility costs and making an appropriation. By LIHEAP and Weatherization Program Interim Study Committee.
8. LSB 1424IC - An Act establishing the Iowa propane education and research council, providing for the development of programs and projects related to propane, providing for an assessment on the sale of odorized propane, and providing criminal penalties. By LIHEAP and Weatherization Program Interim Study Committee.
9. "Iowa Propane and Education Research Act" from the Iowa Propane Gas Association.
10. "Don't get caught Out of Gas" pamphlet from Iowa Propane Gas Association.
11. "Iowa's Electric Cooperatives" from Regi Goodale.
12. "Staying Safe with Propane" pamphlet from Iowa Propane Gas Association.
13. 2006 Iowa Weatherization Assistance Program Facts Sheet from Jim Newton.
14. 2006 Senate File 2084 amendment from Senator Hatch.
15. FY 2006 Low-Income Energy Resources from Jerry McKim.
16. FY 2006 State Supplemental LIHEAP Appropriations from Jerry McKim.



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17. FY 2007 LIHEAP Payment Matrix.
18. Iowa Association of Municipal Utilities comments from Bob Haug.
19. Iowa LIHEAP FY 2006 Facts & Figures.
20. Iowa Weatherization Program Information from Jim Newton.
21. Jerry McKim, Iowa Bureau of Energy Assistance, Attachment A-FY 2007 Iowa LIHEAP Fact Sheet.
22. Jerry McKim, Iowa Bureau of Energy Assistance, Attachment B-2006 State Poverty Guidelines.
23. Jerry McKim, Iowa Bureau of Energy Assistance, Attachment C-FY 2004 LIHEAP State Participation Rates.
24. Jerry McKim, Iowa Bureau of Energy Assistance, Attachment D-FY 2005 LIHEAP State Administrative Costs.
25. Jerry McKim, Iowa Bureau of Energy Assistance, Attachment E-Iowa LIHEAP Contract Computation.
26. Jerry McKim, Iowa Bureau of Energy Assistance, Attachment F-Iowa FY 2007 LIHEAP Payment Matrix.
27. Jerry McKim, Iowa Bureau of Energy Assistance, Attachment G-FFY 2006 Iowa LIHEAP Facts and Figures.
28. Jerry McKim, Iowa Bureau of Energy Assistance, Attachment H-Moratorium Report.
29. Jerry McKim, Iowa Bureau of Energy Assistance, Summary of Comments.
30. Lana Ross - Developmental Assessment and Resolution Program (DARP).
31. Lana Ross - Iowa Community Action Association Power Point Presentation.
32. Lana Ross - Iowa LIHEAP Summary by County, FY 2006.
33. Lana Ross - Red Rock Community Action Program, Inc.
34. LIHEAP from the Perspective of Investor-Owned Utilities from Teresa Anderson, MidAmerican Energy Company.
35. LIHEAP FY 2006 Iowa Fact Sheet.
36. Natural Gas Prices from Jerry McKim.
37. Need for LIHEAP Funding of Weatherization Program by Jim Newton.
38. Robert Krebs, Iowa DHS - DHS Basics.



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39. Robert Krebs, Iowa DHS - DHS Field Operations.
40. Robert Krebs, Iowa DHS - DHS Income Maintenance Caseload History FY 2000-2006.

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