Since the mid-1990s, home heating costs have increased as a result of an overall rise in energy costs. During this period energy cost increases have outpaced the ability of many low-income consumers to adequately heat their homes.

Because more than half (54 percent) of older households in the United States use natural gas as their primary heating fuel, changes in the price of natural gas tend to have the biggest influence on the heating costs of older consumers.
Current projections of winter 2011-2012 heating costs indicate that heating expenses will increase this year for households using heating oil, while those using natural gas and electricity for heating are expected to see about the same costs as last year.
Sources: Residential Energy Consumption Survey, 2005; Short term Energy Outlook, October 2011 (Table WF01); Prepared by the AARP Public Policy Institute, October 2011.

Heating costs differ based on geographic location. Costs are typically highest in the New England census division where heating oil is the primary heating fuel used, followed by the Middle Atlantic census division.
Although consumption data show that low-income older consumers tend to use less heating fuel than higher-income groups, high winter heating costs are likely to be a greater burden on this group than on higher-income older consumers who have greater financial resources available to meet these costs.

Forty-one percent of older households have total household incomes of less than $20,000, and they typically experience the greatest energy burden\(^1\). This trend is projected to continue throughout winter 2011-12. The burden is highest for those using fuel oil for heating. For example, age 65+ households heating with fuel oil with incomes under $20,000 will spend over 20 percent of household income on heating costs, while all-income households heating with fuel oil will spend around 6 percent of total household income on heating costs.

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\(^1\) Burden, or energy burden, represents the portion of household income needed to meet projected winter heating costs. For purposes of the table above burden is estimated by dividing the median income for each income group in Table 1 by the average projected fuel cost for each income group.
The Low Income Home Energy Assistance Program (LIHEAP)\(^2\) is a federal block grant that provides funding to the 50 states and other jurisdictions to operate home energy assistance programs for low-income households. LIHEAP helps eligible low-income households pay heating and/or cooling bills.

As average heating expenditures have continued to increase throughout the decade, the average LIHEAP\(^3\) grant amount has increased by much less. Consequently, the gap between heating expenditures and LIHEAP assistance received by eligible participants remains substantial.

Congress allocated $4.5 billion for the LIHEAP block grant in FY 2011. The House Appropriations Committee has proposed FY 2012 funding of $3.34 billion in block grants with no contingency funding\(^4\), while the Senate has proposed $3.6 billion, with $200 million provided as emergency funds\(^5\). While final FY2012 funding figures remain unclear, LIHEAP is funded until November 18 under a continuing resolution currently funding the federal government. State energy assistance directors estimate that total applications for heating assistance this winter will reach 9.4 million, a 6 percent increase over last year’s total.\(^6\)

\(^2\) LIHEAP was established through the Low Income Home Energy Assistance Act, Title XXVI of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35).


Energy Cost Analysis Methodology

The Residential Energy Consumption Survey (RECS) is a national statistical survey that collects energy-related data for occupied primary housing units; the most recent survey was conducted in 2005. RECS provides information on the use of energy in residential housing units in the United States, including demographic characteristics of the household, energy consumption and expenditures for natural gas, electricity, fuel oil, and other fuel types, as well as other information that relates to energy use.

The Energy Information Administration (EIA) is the statistical agency of the U.S. Department of Energy and produces energy data, analysis and forecasting. EIA issues weekly, monthly and annual reports on energy production and prices, demand, imports, and others, and prepares analyses and special reports on topics of current interest. The Short Term Energy Outlook (STEO) is a monthly publication of the EIOA and contains current and projected prices of fuel, including natural gas, fuel oil, electricity, and petroleum.

This data digest uses variables from both the RECS survey and the most recent Short Term Energy Outlook (STEO) to analyze past heating-related energy consumption and expenditures among consumers age 65 and older, and to project heating-related energy consumption and expenditures for the most recent winter season.

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