

# FISCAL NOTE

## STATE OF ALASKA 2010 LEGISLATIVE SESSION

Fiscal Note Number: 6  
Bill Version: CSSB 220(RES)  
(S) Publish Date: 3/10/10

Identifier (file name): SB220CS(RES)-DHSS-EA-03-05-10 Dept. Affected: Health & Social Services  
Title Energy Efficiency/Alternative Energy RDU Public Assistance  
Component Energy Assistance Program  
Sponsor Senate Resources  
Requester Senate Resources Component Number 226

### Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	*	*	*	*	*

<b>CAPITAL EXPENDITURES</b>							
<b>CHANGE IN REVENUES (</b>							

### FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	*	*	*	*	*

Estimate of any current year (FY2010) cost: \_\_\_\_\_

### POSITIONS

Full-time							
Part-time							
Temporary							

### ANALYSIS: (Attach a separate page if necessary)

CSSB220 changes the name of the Alaska heating assistance program (AKHAP) to the Alaska affordable heating program (AAHP) and allows for an income eligibility limit of up to 250% of the federal poverty guidelines (FPG) when the average price of a barrel of North Slope Crude (NSC ) between February and September of the preceding year exceeds \$150 per barrel. The bill also fixes the dollar value of a Community Heating Point (CHP). CHP is the key factor in determining the amount of heating assistance payments and, under this bill, the dollar value assigned to the CHP is linked to the average price of a barrel of NSC. This legislation allows payments for households receiving federal assistance from LIHEAP to be supplemented by AAHP funds to ensure payments to lowest income households is based on the same dollar per CHP value used to determine payments for the Alaska affordable heating program. It also establishes the Alaska affordable heating fund (AAHF) in the Department of Revenue (DOR) to be used by the Department of Health and Social Services (DHSS) to provide heating assistance payments to eligible households.

continued on next page

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Date 3/5/2010

## 2010 LEGISLATIVE SESSION

**ANALYSIS CONTINUATION**Assumptions

The \$5,000.0 in the governor's FY11 proposed budget for the Alaska heating assistance program is adequate to cover the initial benefit and administrative costs for the new Alaska affordable heating program. This would require an average price of a barrel of North Slope Crude oil (NSC) in the preceding year (Feb. - Sept. 2010) below \$75, which triggers a CHP value of \$130.

In general, AAHP will be administered and operated in the same manner as AKHAP.

A fair and equitable share of the appropriation for the Alaska affordable heating fund will be distributed to tribal organizations operating a regional affordable heating program.

Eligible households with incomes at or below 150% FPG may have their LIHEAP payment augmented with funds from the Alaska affordable heating fund.

For FY10, the state's share of the federal LIHEAP block grant only allows the state to provide awards based on a Community Heating Point (CHP) value of \$115 per point to eligible households. It is assumed federal funding for FY11 and the per-point value assigned to a CHP will remain the same.

In FY11, it is estimated that the state and tribal affordable heating programs will serve 21,600 households. Approximately 19,000 will be recipient households of the LIHEAP program and 2,600 will only be beneficiaries of the affordable heating program. It is assumed that the average number of points for which a household below 150% FPG is eligible is 10. The average number of points for a household between 151% and 225% FPG is 5.

Benefit costs will increase in FY12 due to a projected caseload growth of 3%, with costs remaining relatively stable in out years if the average price of a barrel of NSC remains below \$75. However, assessing program impacts is complicated by the uncertainty in estimating program participation. The cost of heating fuel for consumers increases as the value of NSC increases. Increased consumer costs are likely to increase demand for the program's services and benefits. This is expected to be most pronounced when the value of NSC exceeds \$150 per barrel and the higher income limit is triggered. It is estimated that as many as 5,000 more households may be eligible when the income limit reaches 250% FPG.

Projections of Total Benefit Costs: The \$5,000.0 currently in the governor's FY11 approved budget for the Alaska Heating Assistance Program will be used to cover benefit and administrative costs of the initial year of the Alaska Affordable Heating Program.

The total costs for benefits in FY11 are estimated to be \$4,540.0 in state general funds as shown below.

LIHEAP (State and Tribal) households: \$130-\$115 = \$15 x 10 CHP x 19,000 households =	\$2,850.0
For AAHP (State and Tribal) households: \$130 x 5 CHP x 2,600 households =	<u>\$1,690.0</u>
	\$4,540.0

Changing only the NSC sale price, the annual costs for benefits would be:

\$6,570.0 when a barrel of NSC sells for \$75 to \$100 per barrel (\$140 per CHP); and

\$8,600.0 when a barrel of NSC sells for \$100 to \$150 per barrel (\$150 per CHP).

When NSC exceeds \$150 per barrel, the 250% income limit and the highest \$/CHP value is triggered and as many as 5,000 additional households may become eligible for a total cost of \$15,770.0 (\$165 per CHP).