

Home Heating Assistance Program Provides Little Comfort for Many City Residents

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AS THE TEMPERATURE DIPS and oil prices rise, many lower-income New York households may be looking for help paying for heat. They may instead find cold comfort.

In 2004, the city's Department of Housing Preservation and Development (HPD) received over 118,000 complaints from tenants who lacked adequate heat or hot water. One contributing factor to the high number of heat and hot water emergencies may be the fact that the federally funded Home Energy Assistance Program (HEAP)—which is intended to prevent heating emergencies—is not well suited to meeting New York City's heating needs. This poor fit results in the city receiving a disproportionately small share of HEAP funds and the program doing little to prevent heat emergencies for low-income New Yorkers.

Responding to Heat and Hot Water Violations. Annually about 25 percent to 30 percent of housing code complaints received by HPD allege that the landlord is not providing adequate heat and/or hot water during the city's heat season, October 1st to May 31st. The number of heat and hot water complaints is primarily a function of winter temperatures—in 2004, for example, the average January temperature was 24.7 degrees, well below the normal average of 32.1 degrees—and fuel prices. Between 1999 and 2004, the average cost of fuel oil in January went up 65 percent.

Upon receiving a complaint, HPD first tries to contact the building owner to tell them to restore service. If this is not effective, the agency then sends an inspector to verify the problem, and when appropriate, issues a violation. Lack of heat and hot water is considered an emergency violation, so if the landlord does not correct the problem promptly, HPD will make the repair. HPD bills the landlords for the cost of the repairs. The agency typically collects just over half of total billed emergency repair costs (for all types of violations).

IBO estimates that HPD spent about \$7.5 million in 2004 on the heat and hot water inspection and repair program, down nearly 15 percent since 2001. Although the accessibility of the 311 line has significantly increased the number of complaints over the past two years, many of these complaints are about problems that do not actually fall under HPD's purview. As a result, the number of HPD violations has not risen along with the number of complaints. Moreover, landlord compliance rates are also up, so HPD has been responsible for repair of fewer violations.

By law, HPD's enforcement of heat and hot water standards is focused on multifamily dwellings

and on renter-occupied one- and two-family homes. There are about 2 million such households in the city, of which 1.8 million are in multifamily buildings, where heat is usually paid for and maintained by the building owner or management company. The HPD inspections and emergency repairs are intended to help renters whose landlords are not providing adequate heat.

Home Energy Assistance Program. The Home Energy Assistance Program is a federal grant program which makes funding available to states to provide direct assistance to low-income households to pay winter utility bills. In New York City, the Department for the Aging and the Department of Youth and Community Development handle outreach for HEAP. The Human Resources Administration processes the applications and disburses the funding. Unlike the city-specific HPD code enforcement program, HEAP is designed to serve national and state patterns of housing and fuel payment. As a result, it is not well adapted to the needs of New York City low-income households.

There are two primary problems with the HEAP program structure from the city’s point of view. First, the bulk of the funding is distributed in small allotments to households not experiencing financial crises related to heating needs. Second, owners of multifamily buildings who are directly responsible for paying for fuel costs are, in most cases, ineligible for HEAP assistance. As a result of these program design flaws, New York City receives a disproportionately small share of total HEAP funds and the program does little to prevent heat emergencies among New York’s low-income population.

Most Grants are Small. The majority of HEAP-eligible households in New York City rent apartments in multifamily

buildings. They are eligible for a maximum HEAP grant of \$50 per year. The benefits available to New York City residents are largely constrained by federal law and the annual state “Detailed Model Plan.” There are two primary categories of households that can receive benefits: “heaters,” who pay for heating costs directly, and “non-heaters,” who make rent payments that include heat. Heater households are eligible for grants up to \$400 per year (depending on income and heating costs) while the maximum grant for a non-heater household is \$50 per year.

Additional emergency benefits ranging from \$100 to \$485 are available to low-income households who are without heat or facing imminent loss of heat. In order to qualify for emergency benefits, an applicant must be “the customer of record with a home energy vendor.” This rule effectively excludes most New York City renters.

The HEAP program, unlike HPD’s code enforcement program, is geared towards serving households who own their homes, or who rent but pay their own heating bill. In New York City, however, households that are income-eligible for HEAP assistance (incomes under 150 percent of the poverty level) overwhelmingly live in multifamily units—82 percent of such families live in multifamily buildings, and 91 percent of this group are renters who in most cases pay heating costs in their rent. These families are therefore only eligible for the smaller, “non-heater” grant and cannot get emergency HEAP aid.

Most Bill Payers are Ineligible for HEAP. The actual “customers of record” are typically the owners of multifamily buildings. While owners face higher operating costs in the winter as a result of heating expenses, and may have legitimate difficulties meeting these costs, they generally are ineligible for HEAP aid.

Estimated HPD Spending on Heat and Hot Water Emergencies				
	2001	2002	2003	2004
Inspections				
Heat and Hot Water Complaints Received	90,600	79,000	104,900	118,484
Heat and Hot Water Complaints as a Percent of Total	30.8%	26.7%	28.3%	25.2%
Total Code Enforcement Spending (millions)	\$22.2	\$24.7	\$22.1	\$23.5
Estimated Heat and Hot Water Inspection Cost (millions)	\$6.8	\$6.6	\$6.3	\$5.9
Emergency Repairs				
Heat and Hot Water Violations	14,700	13,349	14,448	14,517
Share of Violations Corrected by HPD	16%	19%	17%	14%
Average Cost of Repair Work	\$846	\$711	\$613	\$766
Estimated Total Cost Repair Work (millions)	\$2.0	\$1.8	\$1.5	\$1.6
Estimated Total Spending on Heat/Hot Water (millions)	\$8.8	\$8.4	\$7.8	\$7.5

SOURCES: IBO, *Mayor’s Management Reports*, various years.
 NOTES: Inspection cost is based on heat and hot water complaints as share of total complaints, multiplied by total code enforcement inspection spending. Estimated emergency repair cost is based on average cost of all non-lead emergency repairs made by HPD.

Building owners are responsible for paying winter fuel bills, which can lead to cash flow problems for some landlords with low rent rolls. But building owners with incomes over \$27,000 (roughly the income limit for HEAP participation) are not eligible for either standard or

HEAP Funding*Dollars in millions*

	2000	2001	2002	2003	2004
Federal HEAP Funds	\$ 1,844.4	\$ 1,855.7	\$ 1,800.0	\$ 1,988.3	\$ 1,888.8
New York State HEAP Funds	265.6	237.6	228.9	260.8	244.4
New York City HEAP Funds	33.4	34.1	27.7	31.5	32.4
NYS as Percent of Federal	14.4%	12.8%	12.7%	13.1%	12.9%
NYC as Percent of State	12.6%	14.4%	12.1%	12.1%	13.2%

SOURCES: IBO, Federal Department of Health and Human Services, *Comprehensive Annual Financial Report of the Comptroller*, various years, *Mayor's Management Reports*, various years.

NOTES: The federal, state, and city governments all have different fiscal years, but heat season for a given year overlaps. For example, HEAP heat season for 2003 ran from 11/1/02 to 3/15/03, which is in fiscal year 2003 for all three levels of government.

emergency HEAP, even if they live in the building. In these circumstances, there is no way for HEAP funds to be used to prevent the kinds of heat and hot water emergencies to which HPD responds.

In contrast, public assistance recipients who do not live in subsidized housing receive HEAP benefits automatically. These households—generally “non-heaters”—receive an extra \$50 in their welfare checks once during the year. Landlords do adjust annual rent levels to reflect heating costs—the cost of fuel is one of the elements taken into account by the Rent Guidelines Board when setting rent increases for rent-regulated buildings, for example. But the small, flat grant automatically given to these households is divorced from actual heating costs or rent increases. Public assistance recipients are, by definition, extremely low income, and while the annual \$50 allocation of HEAP funding is meaningful to these households, most of these recipients are paying for heat through their rent—which remains constant over the course of the year. For these households, the HEAP money may be used for other purchases.

Small Share and Late Budgets. According to the 2000 Census, New York City accounts for 42 percent of the state's population, while the city typically receives 12 percent to 14 percent of the state HEAP funding. IBO estimates that the average HEAP grant in the city is \$71 per year. Because most low-income New Yorkers are only eligible for the smaller “non-heater” grants, and most fuel bill payers are ineligible for any assistance, New York City receives a substantially smaller share of the total state HEAP grant than size of the city's low-income population would suggest.

The nature of the federal appropriations process also presents a perennial challenge to HEAP administration. The federal fiscal year begins October 1, and the HEAP heating season begins in early November. When the federal budget is delayed—as it has been each of the last five years—states must begin to make

grants without knowing how much money they will actually receive, and therefore how many households they can serve. In 2004, the official Health and Human Services announcement of HEAP funding by state was dated March 10, 2004, less than a week before the end of the New York State HEAP season.

The New York City 2005

adopted budget includes only a small administrative allocation for HEAP. Both President George W. Bush and the House have recommended modest increases for HEAP to about \$2 billion nationally (the Senate Appropriations Committee has proposed funding HEAP at \$1.9 billion). But if the federal budget is not passed until early calendar year 2005, as some have predicted, New York will not be able to distribute any funding over and above the 2004 allocation until after the peak heating season is over.

Conclusion. The federal and state HEAP design is focused on households that pay directly for heat, which effectively excludes residents of the multifamily buildings that are more characteristic of New York City. Instead, in New York City HEAP funds are used to provide relatively small grants to a large number of families, including most public assistance recipients, regardless of actual heating needs.

The households receiving HEAP aid are almost certainly financially needy, but the design of the program ensures that relatively few of them are actually spending this assistance directly on heating costs. In contrast, the building owners who do purchase fuel—and who are likely better off but still may have legitimate problems meeting rising fuel bills—are typically ineligible for HEAP. This program design effectively ensures that heat and hot water emergencies will continue to occur, and that the city will continue to pay to resolve these emergencies.

Written by Molly Wasow Park

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